

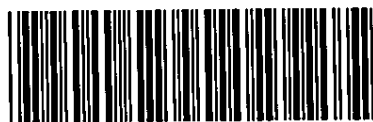
# BPP LEARNING MEDIA LIMITED

Report and Financial Statements

31 December 2007

Company No 5959432

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06/08/2008

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COMPANIES HOUSE

**DIRECTORS**

C Ross-Roberts  
C Lygo  
E Hewson

**SECRETARY**

M Daykin

**AUDITORS**

Ernst & Young LLP  
1 More London Place  
London SE1 2AF

**BANKERS**

National Westminster Bank Plc  
25 Shepherds Bush Green  
London  
W12 8PR

**REGISTERED OFFICE**

BPP House  
Aldine Place  
London  
W12 8AA

# BPP Learning Media Limited

## DIRECTORS' REPORT

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The directors present their report and financial statements for the period ended 31 December 2007

### RESULTS AND DIVIDENDS

The Company was incorporated on 6 October 2006. Results are presented for the 15 month period ending 31 December 2007. There are no comparative figures presented as this is the first period following incorporation.

The trading results for the period, and the company's financial position at the end of the period, are shown in the attached financial statements.

The profit and loss account for the period shows a loss after tax of £597,000. The directors have not recommended a dividend.

### PRINCIPAL ACTIVITY OF THE BUSINESS

The principal activity of the company is the provision of study material.

### FINANCIAL REVIEW

On 29 December 2006 the trade, assets and liabilities of EQL International Limited and of the publishing business operating within BPP Holdings Plc were transferred to BPP Learning Media Limited.

At the end of the period presented, following the transfer described and then 12 months trading as BPP Learning Media Limited, the net assets of the company are £41,831,000. Turnover recorded for the period was £24,171,000 and operating profit (operating margin) was £3,753,000 (15.5%).

### ANALYSIS OF KEY PERFORMANCE INDICATORS

BPP Learning Media Limited forms part of the Professional Education division of BPP Holdings plc and the key performance indicators have been identified as turnover and operating margin. These are discussed under the financial review above.

### KEY RISKS AND UNCERTAINTIES

BPP Learning Media Limited assumes the risks and uncertainties of a publishing business, and these include the production and storage in the company's warehouse of books and other e-learning materials, their sale and distribution in the UK and a number of markets throughout the world. Consequently the company is exposed to changes in commodities prices and diverse patterns of demand.

### DIRECTORS

The directors who served during the period are set out below:

C Ross-Roberts (appointed 6 October 2006)

C Lygo (appointed 6 October 2006)

E Hewson (appointed 6 October 2006)

### DISCLOSURE OF INFORMATION TO THE AUDITORS

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

**PAYMENT POLICY FOR SUPPLIERS**

It is the Company's policy that payments to suppliers are made in accordance with the terms and conditions agreed between the Company and its suppliers, provided that all trading terms and conditions have been complied with. The same policy is adopted for UK subsidiaries of the Company.

At 31 December 2007, the Company had an average of five days purchases outstanding in trade creditors.

**OUTLOOK**

BPP Learning Media Limited benefits from continued buoyancy in certain key product markets, as well as opportunities for cost reduction as the effects of new syllabus and other investments made in 2007 continue into 2008 and beyond. Increased emphasis on selling and marketing should also position the company effectively as a preferred supplier to many training providers.

**RE-APPOINTMENT OF AUDITORS**

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the Board



M Daykin  
Company Secretary

Date 5 August 2008

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## **INDEPENDENT AUDITORS' REPORT**

### **TO THE MEMBERS OF BPP LEARNING MEDIA LIMITED**

We have audited the company's financial statements for the period ended 31 December 2007 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 19. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

#### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**INDEPENDENT AUDITORS' REPORT**  
**TO THE MEMBERS OF BPP LEARNING MEDIA LIMITED**

**Opinion**

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its loss for the period then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

*Ernst & Young LLP*

Ernst & Young LLP  
Registered auditor  
London  
Date

*6 August 2008*

# BPP Learning Media Limited

## PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31 DECEMBER 2007

		<i>15-month period ended 31 December 2007 £'000</i>
	Notes	
<b>TURNOVER</b>	2	24,171
Cost of sales		(16,687)
<b>GROSS PROFIT</b>		<u>7,484</u>
Administrative Expenses		(3,731)
<b>OPERATING PROFIT</b>	3	<u>3,753</u>
Interest payable	7	(2,611)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<u>1,142</u>
Tax on profit on ordinary activities	6	(1,739)
<b>LOSS FOR THE PERIOD</b>		<u><u>(597)</u></u>

All of the activities of the company are classed as continuing

### STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the period ended 31 December 2007

There were no recognised gains or losses other than the loss for the period of £597,000



# BPP Learning Media Limited

## BALANCE SHEET as at 31 December 2007

	Notes	2007 £'000
<b>FIXED ASSETS</b>		
Intangible assets	8	37,057
Tangible assets	9	19
		<u>37,076</u>
<b>CURRENT ASSETS</b>		
Stocks	10	1,014
Debtors amounts falling due within one year	11	13,789
		<u>14,803</u>
<b>CREDITORS amounts falling due within one year</b>	13	(9,985)
<b>NET CURRENT ASSETS</b>		<u>4,818</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>41,894</u>
Creditors amounts falling due after more than one year	14	(63)
<b>NET ASSETS</b>		<u><u>41,831</u></u>
<b>CAPITAL AND RESERVES</b>		
Called up share capital	15	421
Share premium account	16	39,379
Other Reserves	16	2,610
Profit and loss account	16	(579)
<b>EQUITY SHAREHOLDERS' FUNDS</b>	16	<u><u>41,831</u></u>



Chris Ross-Roberts  
Director

Date 5 August 2008

## NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2007

### 1. ACCOUNTING POLICIES

The financial statements of BPP Learning Media Limited were approved for issue by the Board of Directors on 5 August 2008

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements

#### *Basis of preparation*

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

#### *Tangible fixed assets*

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less its estimated residual value, of each asset evenly over its useful economic life

Fixtures and fittings	–	over five years
Office equipment	–	over three years

The carrying value of tangible fixed assets is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable

#### *Intangible fixed assets - Goodwill*

Positive goodwill arising on acquisitions is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life up to a presumed maximum of 20 years. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable

If a subsidiary, associate or business is subsequently sold or closed, any goodwill arising on the acquisition that has not been amortised through the profit and loss account is taken into account in determining the profit or loss on sale or closure

#### *Stocks*

Stocks are principally books, which are stated at the lower of cost and net realisable value. External creative costs and artwork costs of new titles are absorbed into the cost of the first print run. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

#### *Deferred taxation*

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exception

- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted,

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which the timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

#### *Statement of cash flows*

In accordance with FRS 1 (revised) the company has not prepared a statement of cash flows as its ultimate parent undertaking, BPP Holdings plc, produces publicly available consolidated financial statements

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2007

1. ACCOUNTING POLICIES (CONTINUED)

*Revenue recognition*

Revenue represents the invoiced amount of goods and services provided. Revenue is recognised as follows:

*Rendering of services* When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction shall be recognised by reference to the stage of completion of the transaction at the balance sheet date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied: the revenue can be measured reliably, it is probable that the economic benefits will flow to the entity, the stage of completion at the balance sheet date can be measured reliably, and the costs relating to the transaction can be measured reliably.

*Sales of goods* Sales of goods are recognised when the Company has delivered goods to the customer, the customer has accepted the goods, and collectability of the related receivable is reasonably assured.

Deferred revenue represents amounts invoiced for which the goods or services will be provided in future periods.

*Share-based payments*

**Equity settled transactions**

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. The fair value is determined using a binomial valuation model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the company (market conditions).

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions. Number of equity instruments that will ultimately vest or, in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the income statement.

The Company has taken advantage of the transitional provisions of FRS 20 in respect of equity-settled awards so as to apply FRS 20 only to those equity-settled awards granted after 7 November 2002 that had not vested before 1 January 2006.

For awards granted before 7 November 2002, the company recognises only the intrinsic value or cost of these potential awards as an expense. This is accrued over the performance period of each plan based on the intrinsic value of the equity settled awards.

NOTES TO THE FINANCIAL STATEMENTS  
at 31 December 2007

1. ACCOUNTING POLICIES (CONTINUED)

**Cash-settled transactions**

The cost of cash-settled transactions is measured at fair value using an appropriate option pricing model. Fair value is established initially at the grant date and at each balance sheet date thereafter until the awards are settled. During the vesting period a liability is recognised representing the product of the fair value of the award and the portion of the vesting period expired as at the balance sheet date. From the end of the vesting period until settlement, the liability represents the full fair value of the award as at the balance sheet date. Changes in the carrying amount for the liability are recognised in profit or loss for the period.

2. TURNOVER AND SEGMENTAL ANALYSIS

Turnover represents the invoiced amount of goods and services provided during the period, stated net of VAT. Amounts invoiced but unearned at the period end are treated as deferred revenue.

The Company operates in three geographical markets, the United Kingdom, Europe and the Rest of the World.

An analysis of turnover, profit on ordinary activities before tax and net assets is provided below.

	<i>United Kingdom</i>	<i>Europe</i>	<i>Rest of the World</i>	<i>Total</i>
	<i>2007</i>	<i>2007</i>	<i>2007</i>	<i>2007</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Turnover by destination	21,701	845	1,625	24,171
Operating profit	3,370	131	252	3,753

3. OPERATING PROFIT

Operating profit is stated after charging

	<i>15-month period ended 31 December 2007 £'000</i>
Depreciation	5
Amortisation of intangibles	1,953
Operating lease rentals	145
Auditors' remuneration – audit of the financial statements	10

# BPP Learning Media Limited

## NOTES TO THE FINANCIAL STATEMENTS at 31 December 2007

### 4. DIRECTORS' EMOLUMENTS

	<i>15-month period ended 31 December 2007 £'000</i>
Emoluments	122
	<hr/>
	122
	<hr/>

Mr Ross-Roberts and Mr Lygo are also directors of BPP Holdings plc and are not involved in the day-to-day running of BPP Learning Media Limited. Accordingly they have received no remuneration for services to the company.

### 5. STAFF COSTS

Staff costs during the period amounted to

	<i>15-month period ended 31 December 2007 £'000</i>
Wages and salaries	2,712
Share Based Payments	18
Social security costs	284
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	3,014
	<hr/>

The Company does not operate a company pension scheme. Employees can opt to contribute to a pension scheme through a salary sacrifice scheme but there is no pension contribution cost to the Company.

The monthly average number of employees during the period was

	<i>No</i>
Studio	31
Authors	23
Warehouse	13
Administrative	3
Other	18
	<hr/>
	88
	<hr/>

# BPP Learning Media Limited

## NOTES TO THE FINANCIAL STATEMENTS at 31 December 2007

### 6. TAX ON PROFIT ON ORDINARY ACTIVITIES

#### (a) *Analysis of charge in the period*

	<i>15-month period ended 31 December 2007 £'000</i>
UK corporation tax	
Current tax on profit for period	767
Group relief payable	985
	<hr/>
	1,752
	<hr/>
Deferred tax (note 12)	
Origination and reversal of timing differences	(13)
	<hr/>
	1,739
	<hr/>

#### (b) *Factors affecting current tax charge for period*

The tax assessed on the profit on ordinary activities for the period is higher than the standard rate of corporation tax in the UK. The differences are explained below

	<i>15-month period ended 31 December 2007 £'000</i>
Profit on ordinary activities before tax	1,142
	<hr/>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	343
Effect of	
Disallowed expenses and non-taxable income	1,391
Other timing differences	18
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Current tax charge for period	1,752
	<hr/>

#### (c) *Factors that may affect future tax charges*

Legislation that was passed in the Finance Act 2007 reduced the standard rate of UK corporation tax from 30% to 28% with effect from 1 April 2008

# BPP Learning Media Limited

## NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2007

### 7. INTEREST PAYABLE

	2007 £'000
Interest on conversion of loan notes	2,611

### 8. INTANGIBLE FIXED ASSETS

	Goodwill £ 000
Cost	
At 6 October 2006	-
Purchase of trade, liabilities and assets from BPP Holdings plc	39,010
At 31 December 2007	39,010
Amortisation	
At 6 October 2006	-
Provided during the period	1,953
At 31 December 2007	1,953
Net book value	
At 31 December 2007	37,057

On 29 December 2006, BPP Learning Media purchased certain trade, liabilities and assets from its ultimate parent undertakings, BPP Holdings plc, for £39,800,000. The net book value purchased was £790,000 generating £39,010,000 of goodwill.

On 29 December 2006 BPP Learning Media Limited purchased certain trade, liabilities and assets from EQL International Limited at net book value, generating no goodwill on acquisition.

# BPP Learning Media Limited

## NOTES TO THE FINANCIAL STATEMENTS at 31 December 2007

### 9. TANGIBLE FIXED ASSETS

	<i>Fixtures &amp; fittings £'000</i>	<i>Office equipment £'000</i>	<i>Total £'000</i>
Cost			
At 6 October 2006	-	-	-
Additions	2	12	14
Group transfers in	27	90	117
	<hr/>	<hr/>	<hr/>
At 31 December 2007	29	102	131
	<hr/>	<hr/>	<hr/>
Depreciation			
At 6 October 2006	-	-	-
Provided during period	1	4	5
Group transfers in	25	82	107
	<hr/>	<hr/>	<hr/>
At 31 December 2007	26	86	112
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 December 2007	3	16	19

### 10. STOCKS

	<i>2007 £'000</i>
Finished goods – books held for resale	1,014
	<hr/>

### 11. DEBTORS—Amounts falling due within one year

	<i>2007 £'000</i>
Trade debtors	534
Amounts due from parent company	321
Amounts due from fellow subsidiaries	11,808
Other debtors	238
Other taxes	711
Prepayments and accrued income	114
Deferred tax (note 12)	63
	<hr/>
	13,789
	<hr/>



# BPP Learning Media Limited

## NOTES TO THE FINANCIAL STATEMENTS at 31 December 2007

### 12. DEFERRED TAX ASSET

	2007 £'000
At 6 October 2006	-
Transferred in from EQL International Limited and BPP Holdings Plc	50
Profit and loss account	13
At 31 December 2007	<u>63</u>

The deferred tax consists of

	2007 £'000
Capital allowances in arrears of depreciation	4
Other timing differences	59
	<u>63</u>

### 13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2007 £'000
Bank overdraft	7,142
Trade creditors	259
Amounts due to ultimate Parent company	21
Corporation tax	767
Inter-company in respect of group relief	985
Other creditors	54
Accruals and deferred income	757
	<u>9,985</u>

# BPP Learning Media Limited

## NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2007

### 14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2007 £'000
Deferred revenue	63
	<u>63</u>

### 15. SHARE CAPITAL

	2007 £
Authorised	
Ordinary shares of £1 each	100
Preference shares of £0.01 each	42,100,000
	<u>          </u>
Allotted, called up and fully paid	
Ordinary shares of £1 each	100
Preference shares of £0.01 each	420,969
	<u>          </u>

On 21 December 2007, the company received notice from the loan note holders to convert the zero coupon loan notes with a nominal value of £39,800,000 into 42,096,858 irredeemable preference shares. On 21 December 2007 the company issued these preference shares.

The preference shares will be irredeemable and carry no voting rights. The preference shares carry the right to a cumulative floating rate dividend, of LIBOR + 4.36% on the issue price, payable annually solely at the discretion of the directors.

On a winding up of the company, the preference share holders have a right to receive, in preference to payments to the ordinary shareholders, the nominal value paid up on the irredeemable shares plus any accrued dividend. The preference share holders will also receive £0.99 per each irredeemable preference share held at the date of winding up.

# BPP Learning Media Limited

## NOTES TO THE FINANCIAL STATEMENTS

at 31 December 2007

### 16. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	<i>Share capital</i>	<i>Share premium</i>	<i>Other Reserves</i>	<i>Profit &amp; loss account</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
At 6 October 2006	-	-	-	-	-
Share Based Payments	-	-	-	18	18
Issued during the year	421	39,379	-	-	39,800
Equity portion of loan notes	-	-	2,610	-	2,610
Profit for the period	-	-	-	(597)	(597)
At 31 December 2007	421	39,379	2,610	(579)	41,831

### 17. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption allowed in FRS 8 and has not disclosed details of related party transactions with entities within the BPP Holdings plc group

### 18. SHARE BASED PAYMENTS

#### Executive share option scheme

BPP Holdings plc has an employee share ownership trust (ESOT) for the granting of non-transferable options to certain key members of staff and Executive Directors. Options are granted with a fixed exercise price equal to the market price of the shares under the option at the grant date. There are four Executive Share Option Schemes run by BPP Holdings plc.

In 1996 two Executive Share Option Schemes were set up, one approved by the Inland Revenue and the other is operated as an unapproved scheme. The contractual life of the options held within the approved and unapproved schemes are 10 years and 7 years respectively. In both schemes the options become exercisable on the third anniversary of the grant of the option subject to the growth in earnings per share

over any three year period exceeding the percentage increase in the Retail Price Index (RPI) plus 3% per annum. Following the adoption of new Executive Share Option Scheme in 2003 no further options can be granted under the 1996 scheme.

In 2003 two Executive Share Option Schemes were set up, one approved by the Inland Revenue and the other is operated as an unapproved scheme.

The contractual life of the option is 10 years and the options become exercisable on the third anniversary of the grant of the option subject to the growth in earnings per share over the period exceeding the percentage increase in the Retail Price Index (RPI) plus 3% per annum. For options issued after 2003 there is an option for retesting in year four if RPI plus 3% per annum is not achieved at the end of the third year. Exercise of options is subject to continued employment.

The costs of these options are recharged by BPP Holdings plc to BPP Learning Media Limited.

# BPP Learning Media Limited

## NOTES TO THE FINANCIAL STATEMENTS at 31 December 2007

### 18. SHARE BASED PAYMENTS (CONTINUED)

The following table illustrates the number (No ) and weighted average exercise price (WAEP) of share options for the ESOT for the employees of BPP Learning Media Limited

	2007 No	2007 WAEP
Outstanding at 6 October	-	-
Reallocation between group companies	36,000	£3 78
Exercised during period	(7,500)	£3 22
Outstanding at 31 December	28,500	£3 93
Exercisable at 31 December	-	-

For share options exercised under the Executive Share Option Scheme during the period the weighted average share price at the date of exercise was £6 19 (2006 – £4 40)

#### Savings Related Share Option Scheme

BPP Holdings plc also operates a savings related share option scheme (Sharesave) that is open to all employees of the group within the UK. Options are issued at a discount of 15% of the share price on the day of grant and are exercisable three years after they are issued. Exercise of the option is subject to continued employment.

The costs of these options are recharged by BPP Holdings plc to BPP Learning Media Limited.

The following table illustrates the number (No ) and weighted average exercise price (WAEP) of share options for the employees of BPP Learning Media Limited

	2007 No	2007 WAEP
Outstanding at 6 October	-	-
Reallocation between group companies	2,068	£3 65
Granted during year	792	£4 84
Outstanding at 31 December	2,860	£3 98
Exercisable at 31 December	-	-

The fair values of the ESOT and the Sharesave plans have been estimated at the date of grant using the binomial model. The following table gives the assumptions used in valuing the grant of options made during the periods

NOTES TO THE FINANCIAL STATEMENTS  
at 31 December 2007

**18. SHARE BASED PAYMENTS (CONTINUED)**

	2007 Sharesave 5/10/07	2006 ESOT 16/3/06	2006 ESOT 18/8/06	2006 Sharesave 3/10/06
Grant date				
Share price at grant date (£)	5.70	4.26	4.32	4.45
Exercise price (£)	4.85	4.26	4.32	3.66
Dividend yield (%)	3.1	4.00	4.00	4.00
Expected volatility (%)	33	30	31	32
Risk free interest rate (%)	5.59	4.32	4.79	4.80
Expected life of options (years)	3.5	4.25	4.25	3.5
Expected forfeiture (%)	28	15	15	28
Fair value (£)	1.76	0.92	0.99	1.28

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

**19. PARENT UNDERTAKING**

The immediate parent undertaking of BPP Learning Media Limited is BPP Services Limited and the ultimate parent undertaking is BPP Holdings plc. Both companies are registered in England and Wales and BPP Holdings plc is listed on the London Stock Exchange. Copies of BPP Holdings plc's financial statements can be obtained from BPP House, 142-144 Uxbridge Road, London W12 8AA.