Report on Directors' Remuneration

The board presents its report on directors' remuneration to shareholders. This report complies with the Directors' Remuneration Report Regulations 2002 and was approved by the board of directors at the board meeting on 29 February 2008.

The committee believes that the company has complied with the provisions regarding remuneration matters contained within the Combined Code, with one exception: since the resignation of Rana Talwar last April, our personnel committee is made up of only two independent non-executive directors and the chairman.

A resolution will be put to shareholders at the annual general meeting (AGM) on 25 April 2008 inviting them to consider and approve this report.

The personnel committee

During 2007, David Arculus chaired the personnel committee; the other members were Rana Talwar, who stood down as a member of the committee at the AGM on 27 April 2007, Terry Burns and Glen Moreno. David Arculus, Rana Talwar and Terry Burns were independent non-executive directors. Glen Moreno, chairman of the board, joined the committee in 2007 as permissible under the UK Combined Code.

The board will appoint an additional independent director to join the personnel committee in due course, so as to comply with the Code.

Marjorie Scardino, chief executive, David Bell, director for people, Robert Head, compensation and benefits director, and Stephen Jones, deputy company secretary, provided material assistance to the committee during the year. They attended meetings of the committee, although no director was involved in any decisions as to his or her own remuneration.

To ensure that it receives independent advice, the committee has appointed Towers Perrin to supply survey data and to advise on market trends, long-term incentives and other general remuneration matters. Towers Perrin also advised the company on health and welfare benefits in the US and provided consulting advice directly to certain Pearson operating companies.

The committee's terms of reference are set out on the company's website. The committee met five times during 2007. The matters discussed and actions taken were as follows:

15 and 23 February 2007
Reviewed and approved 2006 annual incentive plan payouts
Reviewed and approved 2004 long-term incentive plan payouts
Approved vesting of 2002 and 2004 annual bonus share matching awards and operation of plan for 2007
Reviewed and approved increases in executive base salaries for 2007
Reviewed and approved 2007 Pearson and operating company annual incentive plan targets
Reviewed 2007 long-term incentive awards and associated performance conditions for Pearson Management Committee
Reviewed strategy on 2007 long-term incentive awards for executives and managers
Reviewed and approved 2006 report on directors' remuneration
Noted company's use of equity for employee share plans
26 July 2007
Approved 2007 long-term incentive awards for Pearson Management Committee and other executives and managers
Reviewed and amended committee's charter and terms of reference
3 October 2007
Considered Towers Perrin's report on remuneration for Pearson Management Committee for 2008
Noted status of outstanding long-term incentive awards
3 December 2007
Reviewed 2008 annual incentive plan structure and metrics
Agreed to submit annual bonus share matching plan for renewal by shareholders in 2008

Remuneration policy

This report sets out the company's policy on directors' remuneration. This policy will continue to apply to each director for 2008 and, so far as practicable, for subsequent years. The committee considers that a successful remuneration policy needs to be sufficiently flexible to take account of future changes in the company's business environment and in remuneration practice. Future reports, which will continue to be subject to shareholder approval, will describe any changes in policy for years after 2008. Shareholders should consider all statements in this report about remuneration policy for years after 2008 in this context.

Pearson's goal is to produce sustainable growth on our three key financial measures – adjusted earnings per share, cash generation and return on invested capital – which we believe are, together, good indicators that we are building the long-term value of Pearson. We do this by investing consistently in four areas which are common to all our businesses: content, technology and services, international markets and efficiency. We believe this strategy can create a virtuous circle of efficiency, investment, market share gains and scale which in turn can produce sustainable growth on our financial goals and the value of the company.

We seek to generate a performance culture that supports these goals by operating incentive programmes that directly reward their achievement. The committee selects performance conditions for the company's various performance-related annual or long-term incentive plans that are linked to the company's strategic objectives set out above and aligned with the interests of shareholders.

Share ownership is encouraged throughout the company. All outstanding long-term incentive awards for each of the executive directors are set out in tables 4 and 5 on pages 46 to 49 of this report.

The committee determines whether or not targets have been met under the company's various performance-related annual or long-term incentive plans based on the relevant internal information and input from external advisers. Since 2005, the Group's financial results have been reported under IFRS. Earnings per share and any other accounting measures used for the purposes of the company's short- or long-term incentive plans are adjusted for IFRS where applicable.

It is the company's policy that total remuneration (base compensation plus short- and long-term incentives) should reward both short- and long-term results, delivering competitive rewards for target performance, but outstanding rewards for exceptional company performance.

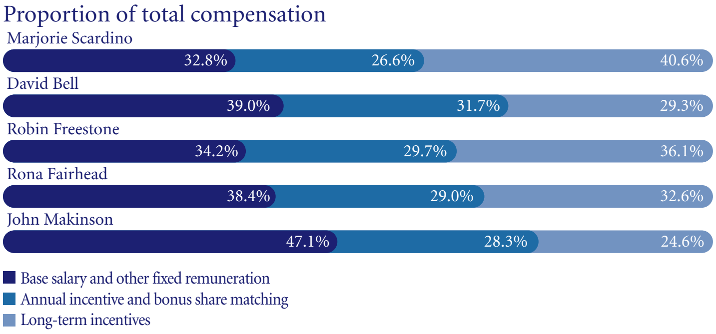
Main elements of remuneration

Total remuneration is made up of fixed and performance-linked elements, with each element supporting different objectives.

Element	Objective	Performance period	Performance conditions
Base salary (see page 37)	Reflects competitive market level, role and individual contribution	Not applicable	Normally reviewed annually taking into account the remuneration of directors and executives in similar positions in comparable companies, individual performance and levels of pay and pay increases throughout the company
Annual incentives (see page 37)	Motivates achievement of annual strategic goals	One year	Subject to achievement of targets for sales, earnings per share or profit, working capital and cash
Bonus share matching (see page 38)	Encourages executive directors and other senior executives to acquire and hold Pearson shares. Aligns executives and shareholders' interests	Three years	Subject to achievement of target for earnings per share growth
Long-term incentives (see page 39)	Drives long-term earnings and share price growth and value creation. Aligns executives' and shareholders' interests	Three years	Subject to achievement of targets for relative total shareholder return, return on invested capital and earnings per share growth

Consistent with its policy, the committee places considerable emphasis on the performance-linked elements i.e. annual incentives, bonus share matching and long-term incentives. The relative importance of fixed and performance-related remuneration for each of the directors is as follows:

Proportion of total compensation



The committee will continue to review the mix of fixed and performance-linked remuneration on an annual basis, consistent with its overall philosophy.

Benchmarking

Our policy is that the remuneration of the executive directors should be competitive with those of directors and executives in similar positions in comparable companies. We use a range of UK companies in different sectors including the media sector. Some are of a similar size to Pearson, while others are larger, but the method which the committee's independent advisers use to make comparisons on remuneration takes this into account. All have very substantial overseas operations. We also use selected media companies in North America.

We use these companies because they represent the wider executive talent pool from which we might expect to recruit externally and the pay market to which we might be vulnerable if our remuneration was not competitive.

The market assessments against the two groups are not a simple statistical outcome and nor are they an average of the two groups. In preparing the assessments and comparisons with the Pearson data, the data for the comparator group companies are considered separately and are adjusted using regression analysis to take account of those factors which Towers Perrin's research shows differentiate remuneration for jobs of a similar nature. The factors include sales, board membership, reporting relationships and international activities.

For benchmarking purposes, the main elements of remuneration are valued as follows:

Element of remuneration	Valuation
Base salary	Actual base salary
Annual incentive	Target level of annual incentive
Bonus share matching	Expected value of matching award based on 50% of target level of annual incentive
Long-term incentive	Expected value of long-term incentive award
Pension and benefits	Cost to company of providing pension and other benefits
Total remuneration	Sum of all elements of remuneration

Expected value means the net present value of awards taking into account the vesting schedule, risk of forfeiture and the probability that any performance target will be met.

Base salary

Our normal policy is to review salaries annually consistent with our approach to benchmarking set out above. For 2007, the increases in base salary for the executive directors were in line with the general guideline for increases in the company as a whole with two exceptions. In the light of its review, the committee concluded that higher increases were justified for the Chief Executive to keep her salary in line with competitive market levels and for the Chief Financial Officer to bring his salary up to competitive market levels following his appointment in 2006.

The committee has reviewed executive directors' base salaries for 2008. Full details will be set out in the report on directors' remuneration for 2008.

Allowances and benefits

It is the company's policy that benefit programmes should be competitive in the context of the local labour market, but as an international company we require executives to operate worldwide and recognise that recruitment also operates worldwide.

Annual incentives

The committee establishes the annual incentive plans for the executive directors and the chief executives of the company's principal operating companies, including performance measures and targets.

The financial performance measures relate to the company's main drivers of business performance at both the corporate and operating company level. Performance is measured separately for each item. For each performance measure, the committee establishes threshold, target and maximum levels of performance for different levels of payout.

With the exception of the CEO, 10% of the total annual incentive opportunity for the executive directors and other members of the Pearson Management Committee is based on performance against personal objectives as agreed with the CEO. These may include inter alia objectives relating to corporate social responsibility. The company publishes a detailed annual report on our progress and plans in this area, which is available at www.pearson.com/community/csr_report2007.

For 2008, the financial performance measures for Pearson plc are sales, growth in underlying adjusted earnings per share for continuing operations at constant exchange rates, average working capital as a ratio to sales and operating cash flow. For subsequent years, the measures will be set at the time.

For 2008, the committee has reviewed the structure for annual incentives for the executive directors other than the CEO. Previously, this has expressed individual annual incentive opportunities by reference to base salary. In future, starting in 2008, these incentive opportunities will be expressed as absolute cash amounts. The committee with the advice of the CEO will determine the aggregate level of annual incentives and individual incentive opportunities taking into account all relevant factors. These factors may include the profitability of the company, individual roles and responsibilities, market annual incentive levels, and the performance required to achieve the maximum payout.

In aggregate, the target individual incentive opportunities for the current executive directors including the CEO will be up to 0.4% of operating profit in the company's operating plan each year. In each year's report on directors' remuneration, the committee will set out the target and maximum incentive opportunities for the CEO and the other executive directors for the year ahead.

For 2008, there is no change to the incentive opportunity for the CEO which remains at 100% of base salary at target and 150% of salary at maximum. The average target individual incentive opportunity for the other executive directors is £381,000 (compared to £345,000 in 2007) and the maximum is twice target (as in 2007).

The annual incentive plans are discretionary and the committee reserves the right to make adjustments to payouts up or down taking into account exceptional factors in line with the committee's existing policy.

The committee will continue to review the annual incentive plans each year and to revise the performance measures, targets and individual incentive opportunities in light of current conditions. The committee will continue to disclose details of the operation of the annual incentive plans in the report on directors' remuneration each year.

Annual incentive payments do not form part of pensionable earnings.

For 2007, total annual incentive opportunities were based on Pearson plc and operating company financial performance and performance against personal objectives as follows:

Name	Pearson plc	Operating company	Personal objectives
Marjorie Scardino	100%	–	–
David Bell	90%	–	10%
Rona Fairhead	30%	60% (FT Group)	10%
Robin Freestone	90%	–	10%
John Makinson	30%	60% (Penguin Group)	10%

Performance in 2007 against the incentive plans was as follows:

Incentive plan	Performance measure	Performance against incentive plan: Below threshold	Between threshold and target	Between target and maximum	Above maximum
Pearson plc	Sales			√	
	Underlying growth in adjusted earnings per share at constant exchange rates				√
	Average working capital to sales ratio				√
	Operating cash flow				√
FT Group	Sales			√	
	Operating profit				√
	Operating cash flow				√
Penguin Group	Sales				√
	Operating margin				√
	Average working capital to sales ratio				√
	Operating cash flow				√

None of the executive directors was directly covered by the plans for the education businesses where the same performance measures applied. The performance of these businesses is covered elsewhere in the annual report.

Details of actual payouts for 2007 are set out in table 1 on page 45.

Bonus share matching

We are asking shareholders by separate resolution to approve the renewal of the annual bonus share matching plan first approved by shareholders in 1998.

The committee has reviewed the operation of this plan since its introduction. Taking into account how plans of this type have evolved, we are seeking to renew the plan for a further ten-year term on broadly similar terms. But we are proposing certain changes that we think are consistent with market practice, will simplify the plan, enhance take-up, particularly in our key market, avoid compliance difficulties in the US, and benefit the plan's administration.

Subject to shareholders' approval, the renewed annual bonus share matching plan will operate in 2008 in respect of annual incentives for 2007. The plan will continue to permit executive directors and senior executives around the company to invest up to 50% of any after-tax annual bonus in Pearson shares.

If the participant's invested shares are held, they will be matched subject to earnings per share growth over the three-year performance period on a gross basis up to a maximum of one matching share for every one held i.e. the number of matching shares will be equal to the number of shares that could have been acquired with the amount of the pre-tax annual bonus taken in invested shares.

One matching share for every two invested shares held i.e. 50% of the maximum matching award, will be released if the company's adjusted earnings per share increase in real terms by 3% per annum compound over the three-year performance period. One matching share for every one invested share held i.e. 100% of the maximum matching award, will be released if the company's adjusted earnings per share increase in real terms by 5% per annum compound over the same period.

For real growth in adjusted earnings per share of between 3% and 5% per annum compound, the rate at which the participant's invested shares will be matched will be calculated according to a straight-line sliding scale.

Real earnings per share growth per annum	Proportion of maximum matching award released
Less than 3%	0%
3%	50%
Between 3% and 5%	Sliding scale between 50% and 100%
5% or more	100%

Earnings per share growth is calculated using the point-to-point method. This method compares the adjusted earnings per share in the company's accounts for the financial year ended prior to the grant date with the adjusted earnings per share for the financial year ending three years later and calculates the implicit compound annual growth rate over the period.

Real growth is calculated by reference to the UK Government's Retail Prices Index (All Items). We choose to test our earnings per share growth against UK inflation over three years to measure the company's financial progress over the period to which the entitlement to matching shares relates.

Where matching shares vest in accordance with the plan, a participant will also receive 'dividend' shares representing the gross value of dividends that would have been paid on the matching shares during the holding period and reinvested.

Under the previous plan, if a participant's invested shares are held and the company's adjusted earnings per share increase in real terms by at least 3% per annum over a five-year period, the company will match them on a gross basis of one share for every one held. Half the matching shares will vest if the performance condition is met over the first three years. Since its introduction, there have been six full five-year cycles of this plan. For the 1998 award, the first one-for-two match vested, but not the full one-for-one. For both the 1999 and 2000 award, both matches lapsed. And for the 2001, 2002 and 2003 awards, the full one-for-one match vested.

Details of awards made, held or released under the annual bonus share matching plan in 2007 are as follows (subject to audit):

Date of award	Share price on date of award	Vesting	Status
22 May 2007	899.9p	50% on 22 May 2010	Outstanding subject to 2006 to 2009 performance
		100% on 22 May 2012	Outstanding subject to 2006 to 2011 performance
12 April 2006	776.2p	50% on 12 April 2009	Outstanding subject to 2005 to 2008 performance
		100% on 12 April 2011	Outstanding subject to 2005 to 2010 performance
15 April 2005	631.0p	50% on 15 April 2008	Performance condition met. Increase in adjusted earnings per share for 2004 to 2007 of 69.8% against target of 20.1%
		100% on 15 April 2010	Outstanding subject to participants not electing to call for 50% of shares that vest on 15 April 2008 and subject to 2004 to 2009 performance
16 April 2004	652.0p	50% on 16 April 2007	Target met as reported in report on directors' remuneration for 2006. Shares held pending release on 16 April 2009
		100% on 16 April 2009	Outstanding subject to 2003 to 2008 performance
17 April 2003	541.0p	100% on 17 April 2008	Performance condition met. Increase in adjusted earnings per share for 2002 to 2007 of 84.6% against target of 33.2%. Shares held pending release on 17 April 2008
19 April 2002	892.0p	100% on 19 April 2007	Target met as reported in report on directors' remuneration for 2006. Shares released on 17 May 2007

All of the executive directors hold or held awards under this plan. Details are set out in table 4 on pages 46 and 47 and itemised as a or a*.

Long-term incentives

At the annual general meeting in April 2006, shareholders approved the renewal of the long-term incentive plan first introduced in 2001.

Executive directors, senior executives and other managers are eligible to participate in the plan which can deliver restricted stock and/or stock options. The aim is to give the committee a range of tools with which to link corporate performance to management's long-term reward in a flexible way. It is not the committee's intention to grant stock options in 2008.

Restricted stock granted to executive directors vests only when stretching corporate performance targets over a specified period have been met. Awards vest on a sliding scale based on performance over the period. There is no retesting.

The committee determines the performance measures and targets governing an award of restricted stock prior to grant.

The performance measures that have applied since 2006 and that will apply for 2008 and subsequent awards for the executive directors are focused on delivering and improving returns to shareholders. These are relative total shareholder return (TSR), return on invested capital (ROIC) and earnings per share (EPS) growth.

Total shareholder return is the return to shareholders from any growth in Pearson's share price and reinvested dividends over the performance period. For long-term incentive awards, TSR is measured relative to the constituents of the FTSE World Media Index over a three-year period. Companies that drop out of the index are excluded i.e. only companies in the index for the entire period are counted.

Share price is averaged over 20 days at the start and end of the performance period, commencing on the date of Pearson's results' announcement in the year of grant and the year of vesting. Dividends are treated as reinvested on the ex-dividend date, in line with the *Datastream* methodology.

Return on invested capital is adjusted operating profit less cash tax expressed as a percentage of gross invested capital (net operating assets plus gross goodwill).

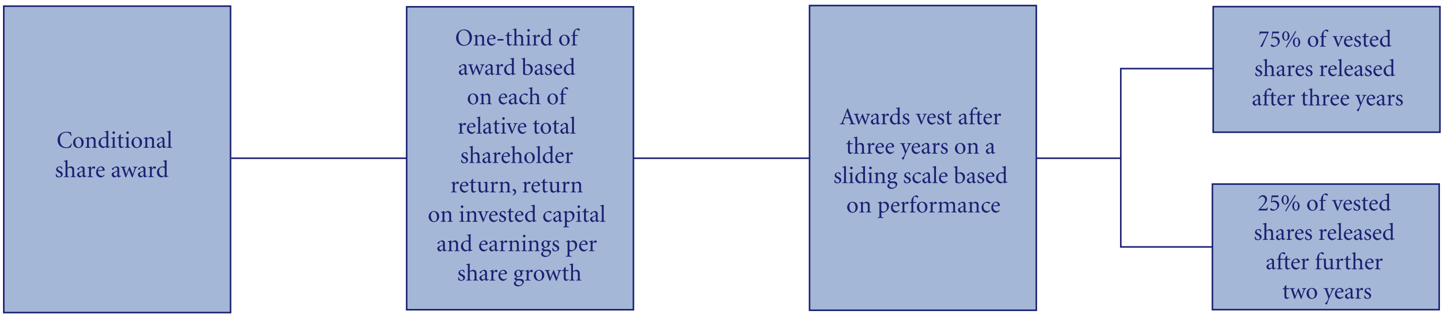
Earnings per share is calculated by dividing the profit attributable to equity shareholders of Pearson by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by Pearson and held as treasury shares.

For 2008 and subsequent awards, earnings per share growth is calculated using the point-to-point method. This method compares the adjusted earnings per share in the company's accounts for the financial year ended prior to the grant date with the adjusted earnings per share for the financial year ending three years later and calculates the implicit compound annual growth rate over the period.

For awards prior to 2008, earnings per share growth is calculated using the aggregate method that sums the results for each year and calculates the compound aggregate average annual growth assuming a constant increase on the base year through the period. Sales growth – relevant to awards prior to 2006 – was also calculated using the aggregate method.

Pearson's reported financial results for the relevant periods are used to measure performance. The committee has discretion to make adjustments taking into account exceptional factors that distort underlying business performance. In exercising such discretion, the committee is guided by the principle of aligning shareholder and management interests.

Long-term incentive plan: summary of awards, conditions and vesting



The vesting of shares based on relative total shareholder return is subject to the committee satisfying itself that the recorded total shareholder return is a genuine reflection of the underlying financial performance of the business.

The committee chose total shareholder return relative to the constituents of the FTSE World Media Index because, in line with many of our shareholders, it felt that part of executive directors' rewards should be linked to performance relative to the company's peers.

We chose return on invested capital because, over the past few years, the transformation of Pearson has significantly increased the capital invested in the business (mostly in the form of goodwill associated with acquisitions) and required substantial cash investment to integrate those acquisitions.

Earnings per share growth was chosen because strong bottom-line growth is imperative if we are to improve our total shareholder return and our return on invested capital.

Pearson wishes to encourage executives and managers to build up a long-term holding of shares so as to demonstrate their commitment to the company.

To achieve this, for awards of restricted stock that are subject to performance conditions over a three-year period, 75% of the award vests at the end of the three-year period. The remaining 25% of the award only vests if the participant retains the after-tax number of shares that vest at year three for a further two years.

Restricted stock may be granted without performance conditions to satisfy recruitment and retention objectives. Restricted stock awards that are not subject to performance conditions will not be granted to any of the current executive directors.

Where shares vest, participants receive additional shares representing the gross value of dividends that would have been paid on these shares during the performance period and reinvested. The expected value of awards made on this basis takes this into account.

The committee's independent advisers calculate each year the expected value of awards i.e. their net present value after taking into account the vesting schedule, risk of forfeiture and the probability that any performance targets will be met. In the case of return on invested capital and earnings per share growth, these probabilities take into account the company's strategic objectives over the performance period.

The committee establishes each year the expected value of individual awards taking into account these values and assessments by the committee's independent advisers of market practice for comparable companies and of directors' total remuneration relative to the market.

In establishing the expected value of individual awards, the committee also has regard to the face value of the awards and their potential value should the performance targets be met in full.

The committee will set stretching targets for the 2008 awards that are consistent with the company's strategic objectives over the period to 2010. It is the committee's intention that these targets will be no less demanding than the targets for the 2007 awards. Full details of the targets and individual awards will be set out in the report on directors' remuneration for 2008.

Details of awards made, vested or released under the long-term incentive plan in 2007 are as follows (subject to audit):

Date of award	Share price on date of award	Vesting date	Performance measures (award split equally across three measures)	Performance period	Payout at threshold	Payout at maximum	Actual performance	Proportion of award vested	Status of award
30 July 2007	778p	30 July 2010	Relative TSR	2007 to 2010	30% at median	100% at upper quartile	–	–	Outstanding
			ROIC	2009	25% for ROIC of 8.5%	100% for ROIC of 10.5%	–	–	Outstanding
			EPS growth	2007, 2008 and 2009 compared to 2006 base year	30% for EPS growth of 6.0%	100% for EPS growth of 12.0%	–	–	Outstanding
23 September 2005	655p	23 September 2008	Relative TSR	2005 to 2008	40% at median	100% at upper quartile	–	–	Remain held because the performance period ends after the date of this report
			ROIC	2007	25% for ROIC of 7.5%	100% for ROIC of 9.0%	8.2%	60%	Vested and remain held pending release
			EPS growth and sales growth matrix	2005, 2006 and 2007 compared to 2004 base year	30% for real growth in both sales and EPS	100% for 10% growth in either sales or EPS, or between real and 10% growth in both	EPS growth 20.4% Sales growth 5.0%	100%	Vested and remain held pending release
21 December 2004	613p	21 December 2007	Relative TSR	2004 to 2007	40% at median	100% at upper quartile	71st percentile (31 out of 104 companies)	89.92%	79.97% of shares vested. Three-quarters were released on 21 December 2007. If after-tax number of share are retained for a further two years, the remaining quarter will be released on 21 December 2009
			ROIC	2006	25% for ROIC of 6.5%	100% for ROIC of 8.0%	8.0%	100%	
			EPS growth and sales growth matrix	2004, 2005 and 2006 compared to 2003 base year	30% for real growth in both sales and EPS	100% for 10% growth in either sales or EPS, or between real and 10% growth in both	EPS growth 10.7% Sales growth 1.5%	50% (for details see report on directors' remuneration for 2006)	

Awards of restricted shares made on 16 December 2002, 26 September 2003 and 13 October 2006 remain outstanding. The original terms of the awards were disclosed in detail in the reports on directors' remuneration for the years in which the awards were made. We will disclose at the relevant time performance against targets and the extent to which these awards vest or lapse. All of the executive directors hold or held awards under this plan. Details are set out in table 4 on pages 46 and 47 and itemised as b or b*.

All-employee share plans

Executive directors are eligible to participate in the company's all-employee share plans on the same terms as other employees. These plans comprise share acquisition savings programmes in the UK and the US.

These plans operate within specific tax legislation (including a requirement to finance acquisition of shares using the proceeds of a monthly savings contract) and the acquisition of shares under these plans is not subject to the satisfaction of a performance target.

Dilution and use of equity

Awards under the company's various stock plans may be satisfied using existing shares bought in the market, treasury shares or newly-issued shares.

In the case of restricted stock awards under the long-term incentive plan and matching share awards under the annual bonus share matching plan, the company would normally expect to use existing shares.

In any rolling ten-year period, no more than 10% of Pearson equity will be issued, or be capable of being issued, under all Pearson's share plans, and no more than 5% of Pearson equity will be issued, or be capable of being issued, under executive or discretionary plans.

At 31 December 2007, stock awards to be satisfied by new-issue equity granted in the last ten years under all employee share plans amounted to 4.0% of the company's issued share capital and under executive or discretionary plans amounted to 2.7%.

The headroom available for all employee plans and executive or discretionary plans is as follows:

	2007	2006	2005
Headroom for all employee plans	6.0%	6.6%	6.4%
Headroom for executive or discretionary plans	2.3%	2.7%	2.5%

In addition, no more than 5% of Pearson equity may be held in trust at any time. Against this limit, shares held in trust amount to 1.6% (1.5% in 2006) of the company's issued share capital and the available headroom is 3.4%.

Shareholding of executive directors

As previously noted, in line with the policy of encouraging widespread employee ownership, the company encourages executive directors to build up a substantial shareholding in the company.

Given the share retention features of the annual bonus share matching and long-term incentive plans and the volatility of the stock market, we do not think it is appropriate to specify a particular relationship of shareholding to salary. However, we describe separately here both the number of shares that the executive directors hold and the value expressed as a percentage of base salary.

No executive director sold shares during the year other than to cover the cost of exercising share options or to satisfy income tax liability on the exercise of share options or the release of restricted shares.

The current value of the executive directors' own shares based on the middle market value of Pearson shares of 666p on 29 February 2008 against the annual base salary set out in this report is as follows:

Own shares	Number of shares	Value (% of base salary)
Marjorie Scardino	400,886	297%
David Bell	172,896	261%
Rona Fairhead	121,556	166%
Robin Freestone	7,930	13%
John Makinson	306,592	403%

In addition, the executive directors have prospective holdings as a result of restricted shares that have vested and are held pending release. The current value of these shares before any withholdings is as follows:

Restricted shares	Number of shares	Value (% of base salary)
Marjorie Scardino	323,197	239%
David Bell	132,024	199%
Rona Fairhead	167,217	229%
Robin Freestone	–	–
John Makinson	141,212	185%

Service agreements

In accordance with long established policy, all continuing executive directors have rolling service agreements under which, other than by termination in accordance with the terms of these agreements, employment continues until retirement. These service agreements provide that the company may terminate these agreements by giving 12 months' notice, and in some instances they specify the compensation payable by way of liquidated damages in circumstances where the company terminates the agreements without notice or cause. We feel that these notice periods and provisions for liquidated damages are adequate compensation for loss of office and in line with the market.

We summarise the service agreements that applied during 2007 and that continue to apply for 2008 as follows:

Name	Date of agreement	Notice periods	Compensation on termination by the company without notice or cause
Glen Moreno	29 July 2005	12 months from the director; 12 months from the company	100% of annual fees at the date of termination
Marjorie Scardino	27 February 2004	Six months from the director; 12 months from the company	100% of annual salary at the date of termination, the annual cost of pension and all other benefits and 50% of potential annual incentive
David Bell	15 March 1996	Six months from the director; 12 months from the company	100% of annual salary at the date of termination, the annual cost of pension and all other benefits and 50% of potential annual incentive
Rona Fairhead	24 January 2003	Six months from the director; 12 months from the company	100% of annual salary at the date of termination, the annual cost of pension and all other benefits and 50% of potential annual incentive
Robin Freestone	5 June 2006	Six months from the director; 12 months from the company	No contractual provisions
John Makinson	24 January 2003	Six months from the director; 12 months from the company	100% of annual salary at the date of termination, the annual cost of pension and all other benefits and 50% of potential annual incentive

Retirement benefits

We describe the retirement benefits for each of the executive directors. Details of directors' pension arrangements are set out in table 2 on page 45 of this report.

Executive directors participate in the pension arrangements set up for Pearson employees.

Marjorie Scardino, John Makinson, Rona Fairhead and Robin Freestone will also have other retirement arrangements because of the cap on the amount of benefits that can be provided from the pension arrangements in the US and the UK.

The pension arrangements for all the executive directors include life insurance cover while in employment, and entitlement to a pension in the event of ill-health or disability. A pension for their spouse and/or dependants is also available on death.

In the US, the defined benefit arrangement is the Pearson Inc. Pension Plan. This plan provides a lump sum convertible to a pension on retirement. The lump sum accrued at 6% of capped compensation until 31 December 2001 when further benefit accruals ceased. Normal retirement age is 65 although early retirement is possible subject to a reduction for early payment. No increases are guaranteed for pensions in payment. There is a spouse's pension on death in service and the option to provide a death in retirement pension by reducing the member's pension.

The defined contribution arrangement in the US is a 401(k) plan. At retirement, the account balances will be used to provide benefits. In the event of death before retirement, the account balances will be used to provide benefits for dependants.

In the UK, the pension plan is the Pearson Group Pension Plan and executive directors participate in either the Final Pay or the Money Purchase 2003 section. Normal retirement age is 62, but, subject to company consent, retirement is currently possible after age 50. The accrued pension is reduced on retirement prior to age 60. Pensions in payment are guaranteed to increase each year at 5% or the increase in the Index of Retail Prices, if lower. Pensions for a member's spouse, dependant children and/or nominated financial dependant are payable in the event of death.

Members of the Pearson Group Pension Plan who joined after May 1989 are subject to an upper limit of earnings that can be used for pension purposes, known as the earnings cap. This limit, £108,600 as at 6 April 2006, was abolished by the Finance Act 2004. However the Pearson Group Pension Plan has retained its own 'cap', which will increase annually in line with the UK Government's Index of Retail Prices (All Items). The cap was £112,800 as at 6 April 2007.

In response to the UK Government's plans for pensions simplification and so-called 'A-Day' effective from April 2006, UK executive directors and other members of the Pearson Group Pension Plan who are, or become, affected by the lifetime allowance were offered a cash supplement as an alternative to further accrual of pension benefits on a basis that is broadly cost neutral to the company.

Marjorie Scardino

Marjorie Scardino participates in the Pearson Inc. Pension Plan and the approved 401(k) plan.

Additional pension benefits are provided through an unfunded unapproved defined contribution plan and a funded defined contribution plan approved by HM Revenue and Customs as a corresponding plan to replace part of the unfunded plan. The account balance of the unfunded unapproved defined contribution plan is determined by reference to the value of a notional cash account that increases annually by a specified notional interest rate. This plan provides the opportunity to convert a proportion of this notional cash account into a notional share account reflecting the value of a number of Pearson ordinary shares. The number of shares in the notional share account is determined by reference to the market value of Pearson shares at the date of conversion.

David Bell

David Bell is a member of the Pearson Group Pension Plan. He is eligible for a pension of two-thirds of his final base salary at age 62 due to his long service but early retirement before that date is possible, subject to company consent.

Rona Fairhead

Rona Fairhead is a member of the Pearson Group Pension Plan. Her pension accrual rate is 1/30th of pensionable salary per annum, restricted to the plan earnings cap.

Until April 2006, the company also contributed to a Funded Unapproved Retirement Benefits Scheme (FURBS) on her behalf. Since April 2006, she has received a taxable and non-pensionable cash supplement in replacement of the FURBS.

Robin Freestone

Robin Freestone is a member of the Money Purchase 2003 section of the Pearson Group Pension Plan. Company contributions are 16% of pensionable salary per annum, restricted to the plan earnings cap.

Until April 2006, the company also contributed to a Funded Unapproved Retirement Benefits Scheme (FURBS) on his behalf. Since April 2006, he has received a taxable and non-pensionable cash supplement in replacement of the FURBS.

John Makinson

John Makinson is a member of the Pearson Group Pension Plan under which his pensionable salary is restricted to the plan earnings cap. The company ceased contributions on 31 December 2001 to his FURBS arrangement. During 2002 it set up an Unfunded Unapproved Retirement Benefits Scheme (UURBS) for him. The UURBS tops up the pension payable from the Pearson Group Pension Plan and the closed FURBS to target a pension of two-thirds of a revalued base salary on retirement at age 62. The revalued base salary is defined as £450,000 effective at 1 June 2002, increased at 1 January each year by reference to the increase in the UK Government's Index of Retail Prices (All Items). In the event of his death a pension from the Pearson Group Pension Plan, the FURBS and the UURBS will be paid to his spouse or nominated financial dependant. Early retirement is possible from age 50, with company consent.

The pension is reduced to reflect the shorter service, and before age 60, further reduced for early payment.

Executive directors' non-executive directorships

Our policy is that executive directors may, by agreement with the board, serve as non-executives of other companies and retain any fees payable for their services.

The following executive directors served as non-executive directors elsewhere and received fees or other benefits for the period covered by this report as follows:

	Company	Fees/benefits
Marjorie Scardino	Nokia Corporation	€150,000
	MacArthur Foundation	$20,000
David Bell	VITEC Group plc	£12,283
Rona Fairhead	HSBC Holdings plc	£102,501
Robin Freestone	eChem	£3,115
John Makinson	George Weston Limited	C$34,625

Chairman's remuneration

Our policy is that the chairman's pay should be set at a level that is competitive with those of chairmen in similar positions in comparable companies. He is not entitled to any annual or long-term incentive, retirement or other benefits.

In accordance with the terms of his appointment, the committee reviewed the chairman's remuneration in 2007. In the light of this review, including a market assessment by Towers Perrin, the board approved the committee's recommendation that the chairman's remuneration be increased to £450,000 per year with effect from 1 January 2007.

Non-executive directors

Fees for non-executive directors are determined by the full board having regard to market practice and within the restrictions contained in the company's articles of association. Non-executive directors receive no other pay or benefits (other than reimbursement for expenses incurred in connection with their directorship of the company) and do not participate in the company's equity-based incentive plans.

The report on directors' remuneration for 2006 noted that the board intended to review the level and structure of non-executive directors' fees in 2007 which had been last reviewed with effect from 1 January 2005. In the light of this review, which included a market assessment by Towers Perrin, the board agreed an increase in the basic fee, an increase in the fees for committee chairmanship, audit committee membership, and the senior independent director and the removal of the previous separate fee for overseas meetings.

The level and structure of non-executive directors' fees effective from 1 July 2007 is as follows:

	Fees payable from 1 July 2007
Non-executive director	£60,000
Chairmanship of audit committee	£20,000
Chairmanship of personnel committee	£15,000
Membership of audit committee	£10,000
Membership of personnel committee	£5,000
Senior independent director	£15,000

A minimum of 25% of the basic fee is paid in Pearson shares that the non-executive directors have committed to retain for the period of their directorships.

Patrick Cescau's fee is paid directly to his employer.

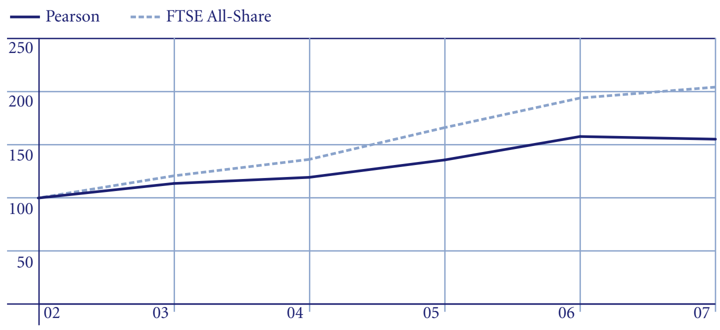
Non-executive directors serve Pearson under letters of appointment and do not have service contracts. There is no entitlement to compensation on the termination of their directorships.

Total shareholder return performance

Below we set out Pearson's total shareholder return on three bases. Pearson is a constituent of all the indices shown.

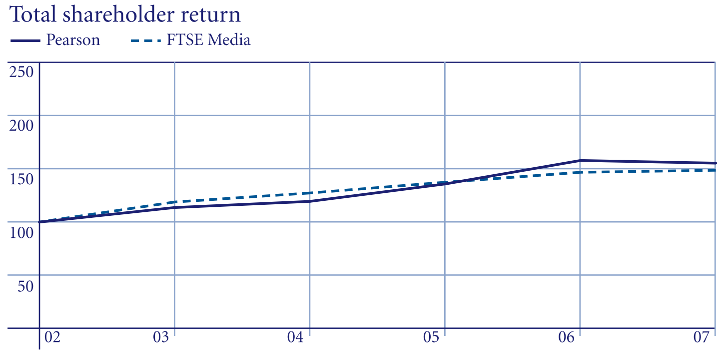
First, we set out Pearson's total shareholder return performance relative to the FTSE All-Share index on an annual basis over the five-year period 2002 to 2007. We have chosen this index, and used it consistently in each report on directors' remuneration since 2002, on the basis that it is a recognisable reference point and an appropriate comparator for the majority of our investors.

Total shareholder return



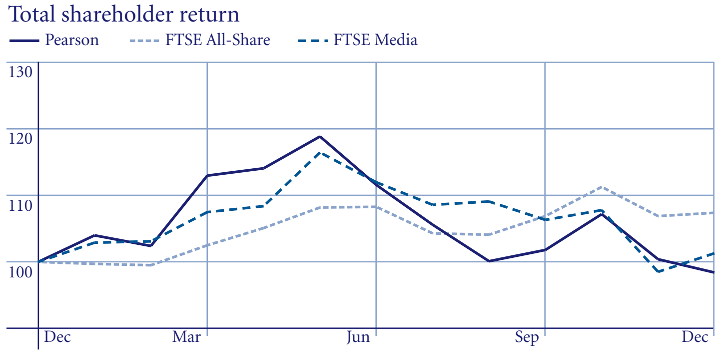
Secondly, to illustrate performance against our sector, we show Pearson's total shareholder return relative to the FTSE Media index over the same five-year period.

Total shareholder return



And thirdly, we show Pearson's total shareholder return relative to the FTSE All-Share and Media indices on a monthly basis over 2007, the period to which this report relates.

Total shareholder return



Items subject to audit

The following tables form the auditable part of the remuneration report.

Table 1: Remuneration of the directors

Excluding contributions to pension funds and related benefits set out in table 2, directors' remuneration was as follows:

All figures in £000s	2007 Salaries/fees	2007 Annual incentive	2007 Allowances	2007 Benefits	**2007 Total**	2006 Total
Chairman						
Glen Moreno	450	–	–	–	**450**	425
Executive directors						
Marjorie Scardino	900	1,341	52	39	**2,332**	1,962
David Bell	442	650	0	19	**1,111**	954
Rona Fairhead	487	693	0	27	**1,207**	1,062
Robin Freestone	405	597	0	15	**1,017**	460
John Makinson	507	743	169	29	**1,448**	1,326
Non-executive directors						
David Arculus	76	–	–	–	**76**	51
Terry Burns	76	–	–	–	**76**	67
Patrick Cescau	64	–	–	–	**64**	53
Susan Fuhrman	64	–	–	–	**64**	61
Ken Hydon	71	–	–	–	**71**	48
Rana Talwar (resigned 27 April 2007)	19	–	–	–	**19**	53
Total	**3,561**	**4,024**	**221**	**129**	**7,935**	6,522
Total 2006 (including former directors)	3,219	3,022	233	85	–	6,559

Note 1 Allowances for Marjorie Scardino include £41,760 in respect of housing costs and a US payroll supplement of £10,446. John Makinson is entitled to a location and market premium in relation to the management of the business of the Penguin Group in the US and received £168,545 for 2007.

Note 2 Benefits include company car, car allowance and health care and, for Marjorie Scardino, pension planning and financial advice. Marjorie Scardino, Rona Fairhead, David Bell and John Makinson have the use of a chauffeur.

Note 3 No amounts as compensation for loss of office and no expense allowances chargeable to UK income tax were paid during the year.

Note 4 Patrick Cescau's fee is paid over to his employer.

Note 5 The company provided benefits to Vernon Sankey after he stepped down from the board to the value of £3,600.

Table 2: Directors' pensions and other pension-related items

Directors' pensions	Age at 31 Dec 07	Increase/ (decrease) in accrued pension over the period £000	Accrued pension at 31 Dec 07 £000(1)	Transfer value at 31 Dec 06 £000	Transfer value at 31 Dec 07 £000(2)	Increase/ (decrease) in transfer value* over the period £000	Increase/ (decrease) in accrued pension† over the period £000	Transfer value* of the increase/ (decrease) in accrued pension† at 31 Dec 07 £000	Other pension costs to the company over the period £000(3)	Other allowances in lieu of pension £000(4)	Other pension related benefit costs £000(5)
Marjorie Scardino	60	(0.1)	3.6	31.7	32.7	1.0	(0.2)	(1.8)	582.7	–	42.2
David Bell	61	21.2	304.5	5,022.6	5,623.7	579.0	10.1	164.6	–	–	–
Rona Fairhead	46	4.1	22.6	138.6	214.8	70.8	3.4	27.1	–	123.7	2.8
Robin Freestone	49	–	–	–	–	–	–	–	17.4	104.8	0.5
John Makinson	53	23.7	211.8	2,095.3	2,799.6	698.9	16.4	211.4	–	–	4.2

*Less directors' contributions.

†Net of inflation.

Note 1 The accrued pension at 31 December 2007 is that which would become payable from normal retirement age if the member left service at 31 December 2007. For Marjorie Scardino it relates only to the pension from the US Plan and there is a decrease because of exchange rate changes over the year. For David Bell and Rona Fairhead it relates to the pension payable from the UK Plan. For John Makinson it relates to the pension from the UK Plan, the FURBS and the UURBS in aggregate.

Note 2 The UK transfer values at 31 December 2007 are calculated using the assumptions for cash equivalents payable from the UK Plan and are based on the accrued pension at that date. For the US SERP, transfer values are calculated using a discount rate equivalent to current US government long-term bond yields. The US Plan is a lump sum plan and the accrued balance is shown.

Note 3 For UK benefits, this column comprises employer contributions to the Money Purchase 2003 section of the Pearson Group Pension Plan. For US benefits, it includes company contributions to funded defined contribution plans and notional contributions to unfunded defined contribution plans.

Note 4 This column comprises cash allowances paid in lieu of pension benefits above the plan earnings cap.

Note 5 This column comprises life cover and long-term disability insurance not covered by the retirement plans.

Report on Directors' Remuneration *continued*

Table 3: Interests of directors

	Ordinary shares at 1 Jan 07	Ordinary shares at 31 Dec 07 (or date of leaving if earlier)
Glen Moreno	110,000	170,000
Marjorie Scardino	216,777	400,886
David Arculus	1,065	2,223
David Bell	122,962	172,896
Terry Burns	7,097	8,471
Patrick Cescau	2,758	2,758
Rona Fairhead	62,593	121,556
Robin Freestone	2,089	7,930
Susan Fuhrman	3,830	5,301
Ken Hydon	6,065	7,172
John Makinson	172,872	306,592
Rana Talwar (resigned 27 April 2007)	17,728	18,683

Note 1 Ordinary shares include both ordinary shares listed on the London Stock Exchange and American Depositary Receipts (ADRs) listed on the New York Stock Exchange. The figures include both shares and ADRs acquired by individuals investing part of their own after-tax annual bonus in Pearson shares under the annual bonus share matching plan.

Note 2 At 31 December 2007 and 29 February 2008, 11,760,626 Pearson ordinary shares of 25p each were held in the Pearson Employee Share Ownership Trust.

No director sold shares during the year other than to cover the cost of exercising share options or to satisfy income tax liability on the exercise of share options or the release of restricted shares.

Note 3 At 31 December 2007, John Makinson held 1,000 shares in Interactive Data Corporation.

Note 4 From 2004, Marjorie Scardino is also deemed to be interested in a further number of shares under her unfunded pension arrangement described in this report, which provides the opportunity to convert a proportion of her notional cash account into a notional share account reflecting the value of a number of Pearson shares.

Note 5 The register of directors' interests (which is open to inspection during normal office hours) contains full details of directors' shareholdings and options to subscribe for shares. The market price on 31 December 2007 was 732.0p per share and the range during the year was 694.5p to 914.5p.

Table 4: Movements in directors' interests in restricted shares

Restricted shares designated as: a annual bonus share matching plan; b long-term incentive plan; and * where shares at 31 December 2007 have vested and are held pending release.

	Date of award	1 Jan 07	Awarded	Released	Lapsed	31 Dec 07	Market value at date of award	Earliest release date	Date of release	Market value at date of release
Marjorie Scardino										
a	22/5/07	0	60,287			60,287	899.9p	22/5/10		
b	16/12/02	301,700				301,700	638.5p	28/6/05		
b	26/9/03	120,200				120,200	582.0p	26/9/06		
b*	21/12/04	208,065		156,049		52,016	613.0p	21/12/07	21/12/07	735.0p
b*	21/12/04	138,710		93,546	13,983	31,181	613.0p	21/12/07	21/12/07	735.0p
b*	23/9/05	300,000			60,000	240,000	655.0p	23/9/08		
b	23/9/05	150,000				150,000	655.0p	23/9/08		
b	13/10/06	450,000				450,000	767.5p	13/10/09		
b	30/7/07	0	420,000			420,000	778.0p	30/7/10		
Total		**1,668,675**	**480,287**	**249,595**	**73,983**	**1,825,384**				
David Bell										
a*	17/4/03	6,105				6,105	541.0p	17/4/08		
a*	16/4/04	2,251				2,251	652.0p	16/4/07		
a	16/4/04	2,252				2,252	652.0p	16/4/09		
b	16/12/02	133,065				133,065	638.5p	28/6/05		
b	26/9/03	82,400				82,400	582.0p	26/9/06		
b*	21/12/04	82,531		61,898		20,633	613.0p	21/12/07	21/12/07	735.0p
b*	21/12/04	55,021		37,107	5,545	12,369	613.0p	21/12/07	21/12/07	735.0p
b*	23/9/05	113,333			22,667	90,666	655.0p	23/9/08		
b	23/9/05	56,667				56,667	655.0p	23/9/08		
b	13/10/06	125,000				125,000	767.5p	13/10/09		
b	30/7/07	0	100,000			100,000	778.0p	30/7/10		
Total		**658,625**	**100,000**	**99,005**	**28,212**	**631,408**				

Table 4: Movements in directors' interests in restricted shares continued

Restricted shares designated as: a annual bonus share matching plan; b long-term incentive plan; and * where shares at 31 December 2007 have vested and are held pending release.

	Date of award	1 Jan 07	Awarded	Released	Lapsed	31 Dec 07	Market value at date of award	Earliest release date	Date of release	Market value at date of release
Rona Fairhead										
a	19/4/02	933		933		0	892.0p	19/4/07	17/5/07	901.5p
a*	17/4/03	15,103				15,103	541.0p	17/4/08		
a*	16/4/04	2,573				2,573	652.0p	16/4/07		
a	16/4/04	2,573				2,573	652.0p	16/4/09		
a*	15/4/05	9,873				9,873	631.0p	15/4/08		
a	15/4/05	9,873				9,873	631.0p	15/4/10		
a	12/4/06	16,101				16,101	776.2p	12/4/09		
b	16/12/02	133,065				133,065	638.5p	28/6/05		
b	26/9/03	82,400				82,400	582.0p	26/9/06		
b*	21/12/04	82,531		61,898		20,633	613.0p	21/12/07	21/12/07	735.0p
b*	21/12/04	55,021		37,107	5,545	12,369	613.0p	21/12/07	21/12/07	735.0p
b*	23/9/05	133,333			26,667	106,666	655.0p	23/9/08		
b	23/9/05	66,667				66,667	655.0p	23/9/08		
b	13/10/06	140,000				140,000	767.5p	13/10/09		
b	30/7/07	0	125,000			125,000	778.0p	30/7/10		
Total		**750,046**	**125,000**	**99,938**	**32,212**	**742,896**				
Robin Freestone										
a	12/4/06	3,435				3,435	776.2p	12/4/09		
a	22/5/07	0	4,708			4,708	899.9p	22/5/10		
b	24/9/04	5,000		5,000		0	609.0p	24/9/07	24/9/07	750.0p
b	23/9/05	20,000				20,000	655.0p	23/9/08		
b	13/10/06	125,000				125,000	767.5p	13/10/09		
b	30/7/07	0	125,000			125,000	778.0p	30/7/10		
Total		**153,435**	**129,708**	**5,000**	**0**	**278,143**				
John Makinson										
a*	17/4/03	12,210				12,210	541.0p	17/4/08		
b	16/12/02	172,400				172,400	638.5p	28/6/05		
b	26/9/03	82,400				82,400	582.0p	26/9/06		
b*	21/12/04	82,531		61,898		20,633	613.0p	21/12/07	21/12/07	735.0p
b*	21/12/04	55,021		37,107	5,545	12,369	613.0p	21/12/07	21/12/07	735.0p
b*	23/9/05	120,000			24,000	96,000	655.0p	23/9/08		
b	23/9/05	60,000				60,000	655.0p	23/9/08		
b	13/10/06	140,000				140,000	767.5p	13/10/09		
b	30/7/07	0	100,000			100,000	778.0p	30/7/10		
Total		**724,562**	**100,000**	**99,005**	**29,545**	**696,012**				
Total		**3,955,343**	**934,995**	**552,543**	**163,952**	**4,173,843**				

Note 1 The number of shares shown represents the maximum number of shares that may vest, subject to any performance conditions being met.

Note 2 No variations to the terms and conditions of plan interests were made during the year.

Note 3 The performance and other conditions that apply to outstanding awards under the annual bonus share matching plan and the long-term incentive plan and that have yet to be met were set out in the reports on directors' remuneration for the years in which they were granted.

Note 4 In the case of the long-term incentive plan awards made on 21 December 2004 and 23 September 2005, we detail separately the part of the award based on ROIC and EPS growth (two thirds of total award) and that part based on relative TSR (one third of total award), because vesting of that part of the awards based on TSR was not known at the date of the 2006 and 2007 reports.

Table 5: Movements in directors' interests in share options

Shares under option are designated as: a executive; b worldwide save for shares; c premium priced; d long-term incentive; and * where options are exercisable.

Date of grant		1 Jan 07	Granted	Exercised	Lapsed	31 Dec 07	Option price	Earliest exercise date	Expiry date	Date of exercise	Price on exercise	Gain on exercise
Marjorie Scardino												
a*	14/9/98	176,556				176,556	973.3p	14/9/01	14/9/08			
a*	14/9/98	5,660				5,660	1090.0p	14/9/01	14/9/08			
c*	8/6/99	37,583				37,583	1372.4p	8/6/02	8/6/09			
c*	8/6/99	37,583				37,583	1647.5p	8/6/02	8/6/09			
c	3/5/00	36,983			36,983	0	3224.3p	3/5/03	3/5/10			
d*	9/5/01	41,550				41,550	1421.0p	9/5/02	9/5/11			
d*	9/5/01	41,550				41,550	1421.0p	9/5/03	9/5/11			
d*	9/5/01	41,550				41,550	1421.0p	9/5/04	9/5/11			
d*	9/5/01	41,550				41,550	1421.0p	9/5/05	9/5/11			
Total		**460,565**	**0**	**0**	**36,983**	**423,582**						**£0**
David Bell												
a*	14/9/98	20,496				20,496	973.3p	14/9/01	14/9/08			
b*	30/4/04	1,142		1,142		0	494.8p	1/8/07	1/2/08	1/8/07	789.0p	£3,360
b	6/5/05	373				373	507.6p	1/8/08	1/2/09			
b	5/5/06	297				297	629.6p	1/8/09	1/2/10			
b	4/5/07	0	821			821	690.4p	1/8/10	1/2/11			
c*	8/6/99	18,705				18,705	1372.4p	8/6/02	8/6/09			
c*	8/6/99	18,705				18,705	1647.5p	8/6/02	8/6/09			
c	3/5/00	18,686			18,686	0	3224.3p	3/5/03	3/5/10			
d*	9/5/01	16,350				16,350	1421.0p	9/5/02	9/5/11			
d*	9/5/01	16,350				16,350	1421.0p	9/5/03	9/5/11			
d*	9/5/01	16,350				16,350	1421.0p	9/5/04	9/5/11			
d*	9/5/01	16,350				16,350	1421.0p	9/5/05	9/5/11			
Total		**143,804**	**821**	**1,142**	**18,686**	**124,797**						**£3,360**
Rona Fairhead												
b*	30/4/04	1,904				1,904	494.8p	1/8/07	1/2/08			
b	4/5/07	0	2,371			2,371	690.4p	1/8/12	1/2/13			
d*	1/11/01	20,000				20,000	822.0p	1/11/02	1/11/11			
d*	1/11/01	20,000				20,000	822.0p	1/11/03	1/11/11			
d*	1/11/01	20,000				20,000	822.0p	1/11/04	1/11/11			
Total		**61,904**	**2,371**	**0**	**0**	**64,275**						**£0**

Table 5: Movements in directors' interests in share options continued

Shares under option are designated as: a executive; b worldwide save for shares; c premium priced; d long-term incentive; and * where options are exercisable.

Date of grant		1 Jan 07	Granted	Exercised	Lapsed	31 Dec 07	Option price	Earliest exercise date	Expiry date	Date of exercise	Price on exercise	Gain on exercise
Robin Freestone												
b	6/5/05	1,866				1,866	507.6p	1/8/08	1/2/09			
Total		**1,866**	**0**	**0**	**0**	**1,866**						**£0**
John Makinson												
a*	12/9/97	73,920		73,920		0	676.4p	12/9/00	12/9/07	25/6/07	836.5p	£118,346
a*	14/9/98	30,576				30,576	973.3p	14/9/01	14/9/08			
b	9/5/03	4,178				4,178	424.8p	1/8/10	1/2/11			
c*	8/6/99	21,477				21,477	1372.4p	8/6/02	8/6/09			
c*	8/6/99	21,477				21,477	1647.5p	8/6/02	8/6/09			
c	3/5/00	21,356			21,356	0	3224.3p	3/5/03	3/5/10			
d*	9/5/01	19,785				19,785	1421.0p	9/5/02	9/5/11			
d*	9/5/01	19,785				19,785	1421.0p	9/5/03	9/5/11			
d*	9/5/01	19,785				19,785	1421.0p	9/5/04	9/5/11			
d*	9/5/01	19,785				19,785	1421.0p	9/5/05	9/5/11			
Total		**252,124**	**0**	**73,920**	**21,356**	**156,848**						**£118,346**
Total		**920,263**	**3,192**	**75,062**	**77,025**	**771,368**						**£121,706**

Note 1 No variations to the terms and conditions of share options were made during the year.

Note 2 Each plan is described below.

a Executive – The plans under which these options were granted were replaced with the introduction of the long-term incentive plan in 2001. No executive options have been granted to the directors since 1998.

All options that remain outstanding are exercisable (all performance conditions having already been met prior to 2007) and lapse if they remain unexercised at the tenth anniversary of the date of grant.

Marjorie Scardino, David Bell, and John Makinson hold options under this plan. Details of these awards are itemised as a.

b Worldwide save for shares – The acquisition of shares under the worldwide save for shares plan is not subject to the satisfaction of a performance target.

David Bell, Rona Fairhead, Robin Freestone and John Makinson hold options under this plan. Details of these holdings are itemised as b.

c Premium priced – The plan under which these options were granted was replaced with the introduction of the long-term incentive plan in 2001. No Premium Priced Options (PPOs) have been granted to the directors since 1999.

The share price targets for the three-year and five-year tranches of PPOs granted in 1999 have already been met prior to 2007. The share price target for the seven-year tranche of PPOs granted in 2000 was not met in 2007 and the options lapsed. The secondary real growth in earnings per share target for any PPOs to become exercisable has already been met prior to 2007.

All PPOs that remain outstanding lapse if they remain unexercised at the tenth anniversary of the date of grant.

Marjorie Scardino, David Bell, and John Makinson hold PPOs under this plan. Details of these awards are itemised as c.

d Long-term incentive – All options that remain outstanding are exercisable and lapse if they remain unexercised at the tenth anniversary of the date of grant.

Details of the option grants under this plan for Marjorie Scardino, David Bell, Rona Fairhead, and John Makinson are itemised as d.

Note 3 In addition, Marjorie Scardino contributes US$1,000 per month (the maximum allowed) to the US employee stock purchase plan. The terms of this plan allow participants to make monthly contributions for one year and to acquire shares at the end of that period at a price that is the lower of the market price at the beginning or the end of the period, both less 15%.

Note 4 The market price on 31 December 2007 was 732.0p per share and the range during the year was 694.5p to 914.5p.

Approved by the board and signed on its behalf by

David Arculus, *Director, 13 March 2008*