OFFERING CIRCULAR

Pearson Funding One plc

(*incorporated with limited liability in the United Kingdom*)

£300,000,000 6.00 per cent. Guaranteed Notes due 2015

unconditionally and irrevocably guaranteed by

Pearson plc

(*incorporated with limited liability in the United Kingdom*)

Issue price: 99.015 per cent.

The £300,000,000 6.00 per cent. Guaranteed Notes due 2015 (the **Notes**) are issued by Pearson Funding One plc (the **Issuer**) and are unconditionally and irrevocably guaranteed by Pearson plc (the **Guarantor**).

Under the conditions of the Notes (the **Conditions**), the Issuer may, at its option, redeem all, but not some only, of the Notes at in accordance with Condition 7.3 (*Redemption at the option of the Issuer*). Also, the Issuer may, at its option, redeem all, but not some only, of the Notes at any time at par plus accrued interest, in the event of certain tax changes in accordance with Condition 7.2 (*Redemption for Taxation Reasons*). The Notes mature on 15 December 2015.

Application has been made to the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 (the **UK Listing Authority**) for the Notes to be admitted to the Official List of the UK Listing Authority and to the London Stock Exchange plc (the **London Stock Exchange**) for the Notes to be admitted to trading on the London Stock Exchange's regulated market. The London Stock Exchange's regulated market is a regulated market for the purposes of Directive 2004/39/EC (the **Markets in Financial Instruments Directive)**. The Notes will be rated Baa1 by Moody's Investors Service, Inc. and BBB+ by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

The Notes will initially be represented by a temporary global note (the **Temporary Global Note**), without interest coupons, which will be deposited on or about 26 March 2009 (the **Closing Date**) with a common safe-keeper for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking, société anonyme (**Clearstream, Luxembourg**). Interests in the Temporary Global Note will be exchangeable for interests in a permanent global note (the **Permanent Global Note** and, together with the Temporary Global Note, the **Global Notes**), without interest coupons, on or after 6 May 2009 (the **Exchange Date**), upon certification as to non-U.S. beneficial ownership. Interests in the Permanent Global Note will be exchangeable for definitive Notes only in certain limited circumstances - see "*Summary of Provisions relating to the Notes while represented by the Global Notes*".

An investment in Notes involves certain risks. Prospective investors should have regard to the factors described under the heading "Risk Factors" on pages 5-13.

Deutsche Bank **HSBC**

The date of this Offering Circular is 23 March 2009

This Offering Circular comprises a prospectus for the purposes of Article 5 of Directive 2003/71/EC (the **Prospectus Directive**).

The Issuer and the Guarantor accept responsibility for the information contained in this Offering Circular. To the best of the knowledge of the Issuer and the Guarantor (each having taken all reasonable care to ensure that such is the case) the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Issuer and the Guarantor, having made all reasonable enquiries, confirm that this Offering Circular contains all material information with respect to the Issuer and the Guarantor and the Notes (including all information which, according to the particular nature of the Issuer, the Guarantor and of the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and the Guarantor and of the rights attaching to the Notes), that the information contained or incorporated in this Offering Circular is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed in this Offering Circular are honestly held and that there are no other facts the omission of which would make this Offering Circular or any of such information or the expression of any such opinions or intentions misleading. The Issuer and the Guarantor accept responsibility accordingly.

This Offering Circular is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "*Documents Incorporated by Reference*"). This Offering Circular should be read and construed on the basis that such documents are incorporated and form part of the Offering Circular.

Save for the Issuer and Guarantor, no other party has independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Managers or the Trustee as to the accuracy or completeness of the information contained or incorporated in this Offering Circular or any other information provided by the Issuer or the Guarantor in connection with the offering of the Notes. No Manager or the Trustee accepts any liability in relation to the information contained or incorporated by reference in this Offering Circular or any other information provided by the Issuer or the Guarantor in connection with the offering of the Notes or their distribution.

No person is or has been authorised by the Issuer, the Guarantor or the Trustee to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other information supplied in connection with the offering of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Guarantor, any of the Managers or the Trustee.

Neither this Offering Circular nor any other information supplied in connection with the offering of the Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer, the Guarantor, any of the Managers or the Trustee that any recipient of this Offering Circular or any other information supplied in connection with the offering of the Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and/or the Guarantor. Neither this Offering Circular nor any other information supplied in connection with the offering of the Notes constitutes an offer or invitation by or on behalf of the Issuer or the Guarantor, any of the Managers or the Trustee to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of the Notes shall in any circumstances imply that the information contained herein concerning the Issuer and/or the Guarantor is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Offering of the Notes is correct as of any time subsequent to the date indicated in the document containing the same. The Managers and the Trustee expressly do not undertake to review the financial condition or affairs of the Issuer or the Guarantor during the life of the Notes or to advise any investor in the Notes of any information coming to their attention. The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended, (the **Securities Act**) and are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States or to U.S. persons. For a further description of certain restrictions on the offering and sale of the Notes and on distribution of this document, see "*Subscription and Sale*" below.

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy the Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Circular and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer, the Guarantor, the Managers and the Trustee do not represent that this Offering Circular may be lawfully distributed, or that the Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Guarantor, the Managers or the Trustee which is intended to permit a public offering of the Notes or the distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of Notes in the United States, the European Economic Area (including the United Kingdom and Japan.

IN CONNECTION WITH THE ISSUE OF THE NOTES, DEUTSCHE BANK AG, LONDON BRANCH AND HSBC BANK PLC AS STABILISING MANAGER(S) (THE STABILISING MANAGER(S)) (OR PERSONS ACTING ON BEHALF OF ANY STABILISING MANAGER(S)) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER(S) (OR PERSONS ACTING ON BEHALF OF A STABILISING MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE RELEVANT STABILISING MANAGER(S) (OR PERSONS ACTING ON BEHALF OF ANY STABILISING MANAGER(S)) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

All references in this document to **Sterling** and **£** refer to the currency of the United Kingdom.

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RISK FACTORS

The Issuer and the Guarantor believe that the following factors may affect the Issuer's ability to fulfil its obligations under the Notes and the Guarantor's ability to fulfil its obligations under the Guarantee (as defined under "Terms and Conditions of the Notes"). All of these factors are contingencies which may or may not occur, and the Issuer and the Guarantor are not in a position to express a view on the likelihood of any such contingency occurring.

In addition, factors which the Issuer and the Guarantor believe are material for the purpose of assessing the market risks associated with the Notes are also described below.

The Issuer and the Guarantor believe that the factors described below represent the principal risks to Pearson's businesses and an investment in the Notes, but the Issuer and the Guarantor may be unable to pay interest, principal or other amounts on or in connection with the Notes for other reasons which may not be considered significant risks by the Issuer and the Guarantor based on information currently available to them or which they may not currently be able to anticipate. Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.

Factors that may affect the Issuer's and the Guarantor's ability to fulfil their obligations under the Notes and the Guarantee

Global economic conditions may adversely impact Pearson's financial performance.

With the rapid deterioration in the global economic environment during 2008, there is an increased risk of further weakening in trading conditions in 2009 which could adversely impact the financial performance of the Issuer, the Guarantor and its Subsidiaries (as defined in the Terms and Conditions of the Notes) (together, **Pearson**). The effect of a continued deterioration in the global economy will vary across Pearson's different businesses and will depend on the depth, length and severity of any economic downturn. Specific economic risks by business are described more fully in the other risk factors below.

Pearson's US educational textbook and assessment businesses may be adversely affected by changes in state and local educational funding resulting from either general economic conditions, changes in government educational funding, programmes and legislation (both at the federal and state level), and/or changes in the state procurement process.

The results and growth of Pearson's US educational textbook and assessment business is dependent on the level of federal and state educational funding, which in turn is dependent on the robustness of state finances and the level of funding allocated to educational programmes. State, local and municipal finances have been adversely affected by the US recession. In response to budget shortfalls, states and districts may reduce educational spending as they seek cost savings to mitigate budget deficits. Federal economic stimulus packages may provide additional educational funding to compensate for budget shortfalls at the state level.

Federal and/or state legislative changes can also affect the funding available for educational expenditure. Similarly, changes in the state procurement process for textbooks, learning material and student tests, particularly in the adoptions market, can also affect relevant markets. For example, changes in curricula, delays in the timing of the adoptions and changes in the student testing process can all affect these programmes and, therefore, the size of Pearson's market in any given year.

There are multiple competing demands for educational funds and there is no guarantee that states will fund new textbooks or testing programmes, or that Pearson will win this business.

Reductions in advertising revenues and/or circulation will adversely affect the profitability of Pearson's newspaper business.

Pearson's newspaper business has diversified its revenue streams but remains dependent on advertising income. The business is operationally highly geared; relatively small changes in revenue, positive or negative, have a disproportionate effect on profitability. Any downturn in corporate and financial advertising spend due to the economic slowdown will negatively impact the results of the Financial Times newspaper.

Pearson's customers can increasingly access their information through different channels and from alternative suppliers. This allows Pearson's newspaper businesses to distribute and monetise their content in new ways. Pearson's ability to offer a range of content channels provides some protection against the risk of decline of any one format. For example, there might be a decline in print circulation in more mature markets as readers migrate online, although there might be further opportunities for growth in less mature markets. However, if the migration of readers to new digital formats occurs more quickly than expected, this is likely to adversely affect print advertising and newspaper profitability.

At Penguin, changes in product distribution channels, increased book returns and/or customer bankruptcy may restrict the ability to grow and affect profitability.

New distribution channels, e.g. digital format, the internet, online retailers, combined with the concentration of retailer power pose both threats and opportunities to Penguin's traditional consumer publishing models, potentially impacting both sales volumes and pricing.

Penguin's financial performance can also be negatively affected if book return rates increase above historical average levels. Similarly, the bankruptcy of a major retail customer would disrupt short-term product supply to the market as well as result in a large debt write-off. The economic slowdown has increased these risks in the short term.

Pearson's intellectual property and proprietary rights may not be adequately protected under current laws in some jurisdictions and that may adversely affect Pearson's results and ability to grow.

Pearson's products largely comprise intellectual property delivered through a variety of media, including newspapers, books and the internet. Pearson relies on trademark, copyright and other intellectual property laws to establish and protect its proprietary rights in these products.

Pearson cannot be sure that its proprietary rights will not be challenged, invalidated or circumvented. Pearson's intellectual property rights in countries such as the US and UK, jurisdictions covering the largest proportion of its operations, are well established. However, Pearson also conducts business in other countries where the extent of effective legal protection for intellectual property rights is uncertain, and this uncertainty could affect future growth. Moreover, despite trademark and copyright protection, third parties may copy, infringe or otherwise profit from Pearson's proprietary rights without authorisation.

These unauthorised activities may be more easily facilitated by the internet. The lack of internet-specific legislation relating to trademark and copyright protection creates an additional challenge for Pearson in protecting its proprietary rights relating to its online business processes and other digital technology rights. The loss or diminution in value of these proprietary rights or intellectual property could have a material adverse effect on Pearson's business and financial performance.

In that regard, preliminary settlements of a class action lawsuit brought against Google by the Authors Guild, and a companion in the lawsuit brought under the auspices of the Association of American Publishers, which challenged Google's plans to copy the full text of all books ever published without permission of the copyright owners, were reached in October 2008. Subject to a final court approval of the class action settlement, now scheduled for June 2009, the settlement would allow copyright owners of books covered by it to control the online display of those books by Google, with a sharing of revenues derived from that display.

Pearson operates in a highly competitive environment that is subject to rapid change and it must continue to invest and adapt to remain competitive.

Pearson's education, business information and book publishing businesses all operate in highly competitive markets, which are constantly changing in response to competition, technological innovations and other factors. A common trend facing all Pearson's businesses is the digitisation of content and proliferation of distribution channels, either over the internet, or via other electronic means, replacing traditional print formats. If Pearson does not adapt rapidly to these changes, it may lose business to 'faster', more 'agile' competitors, who increasingly are non-traditional competitors, making their identification all the more difficult.

Illustrations of the competitive threats faced at present include:

- Students seeking cheaper sources of content, e.g. online discounters, file sharing, use of pirated copies, used books or re-imported textbooks, causing Pearson to lose sales and putting downward pressure on textbook prices in Pearson's major markets.

- Competition from major publishers and other educational material and service providers, including not-for-profit organisations, in Pearson's US educational textbook and assessment businesses.

- Penguin: authors' advances in consumer publishing. Penguin competes with other publishing businesses to purchase the rights to author manuscripts. Penguin's competitors may bid to a level at which Penguin could not generate a sufficient return on its investment, and so, typically, it would not purchase these rights.

- Financial Times: faces competitive threats both from large media players and from smaller businesses, online portals and news redistributors operating in the digital arena and providing alternative sources of news and information.

- People: the investments Pearson makes in its employees, combined with its employment policies and practices, Pearson believes are critical factors enabling it to recruit and retain the very best people in its business sectors.

A control breakdown or service failure in Pearson's school assessment businesses could result in financial loss and reputational damage.

There are inherent risks associated with Pearson's school assessment businesses, both in the US and the UK. A service failure caused by a breakdown in testing and assessment processes could lead to a mis-grading of student tests and/or late delivery of test results to students and their schools. In either event, Pearson might be subject to legal claims, penalty charges under contracts, non-renewal of contracts and/or the suspension or withdrawal of accreditation to conduct tests. It is also possible that such events would result in adverse publicity, which may affect Pearson's ability to retain existing contracts and/or obtain new customers.

In December 2008, the Qualifications and Curriculum Authority awarded Edexcel the 2009 National Curriculum Test contract following the termination of the previous contractor who underperformed in delivering the 2008 NCT exams. This is a one-year contract for marking Key Stage 2 tests for 2009 only. There is significant reputational risk to Pearson , should Edexcel fail to deliver on this contract. Given the 2008 problems, there will be intense government and media scrutiny of Edexcel's performance. Furthermore, as the contract was only awarded in late 2008, there is limited time to set up and deliver the required marking services.

Pearson's professional services and school assessment businesses involve complex contractual relationships with both government agencies and commercial customers for the provision of various testing services. Pearson's financial results, growth prospects and/or reputation may be adversely affected if these contracts and relationships are poorly managed.

These businesses are characterised by multi-million pound sterling contracts spread over several years. As in any contracting business, there are inherent risks associated with the bidding process, start-up, operational performance and contract compliance (including penalty clauses) which could adversely affect Pearson's financial performance and/or reputation. Failure to retain these contracts at the end of the contract term could adversely impact future revenue growth.

At Edexcel, Pearson's UK Examination board and testing business, any change in UK Government policy to examination marking — for example, introduction of new qualifications — could have a significant impact on Pearson's present business model.

Pearson operates in markets which are dependent on Information Technology (IT) systems and technological change.

All Pearson's businesses, to a greater or lesser extent, are dependent on information technology. Pearson either provides software and/or internet services to its customers or it uses complex IT systems and products to support its business activities, particularly in business information publishing, back-office processing and infrastructure.

Pearson faces several technological risks associated with software product development and service delivery in its educational businesses, IT security (including virus and hacker attacks), e-commerce, enterprise resource planning system implementations and upgrades. The failure to recruit and retain staff with relevant skills may constrain Pearson's ability to grow as it combines traditional publishing products with online and service offerings.

Operational disruption to Pearson's businesses caused by a major disaster and/or external threats could restrict its ability to supply products and services to its customers.

Across all Pearson's businesses, it manages complex operational and logistical arrangements, including distribution centres, data centres and large office facilities, as well as relationships with third-party print sites. It has also outsourced some support functions, including IT, to third-party providers. Failure to recover from a major disaster (e.g. fire, flood etc) at a key facility or the disruption of supply from a key third-party vendor or partner (e.g. due to bankruptcy) could restrict Pearson's ability to service its customers. Similarly, external threats, such as a 'flu pandemic, terrorist attacks, strikes, weather etc, could all affect Pearson's businesses and employees, disrupting daily business activities.

A major data privacy breach may cause reputational damage to Pearson's brands and financial loss.

Across its businesses, Pearson holds large volumes of personal data including that of employees, customers and, in its assessment businesses, students and citizens. Failure to adequately protect personal data could lead to penalties, significant remediation costs, reputational damage, potential cancellation of some existing contracts and inability to compete for future business.

Investment returns outside Pearson's traditional core US and UK markets may be lower than anticipated.

To take advantage of international growth opportunities and to reduce its reliance on its core US and UK markets, Pearson is increasing its investments in a number of emerging markets, some of which are inherently more risky than Pearson's traditional markets. Political, economic, currency, reputational and corporate governance risks (including fraud) as well as unmanaged expansion are all factors which could limit returns on investments made in these markets.

Failure to generate anticipated revenue growth, synergies and/or cost savings from acquisitions could lead to goodwill and intangible asset impairments.

Pearson continually acquires and disposes of businesses to achieve its strategic objectives. In 2007/08 Pearson made two relatively large acquisitions, Harcourt Assessment and Harcourt Education International for $950m and eCollege for $491m.

Acquired goodwill and intangible assets could be impaired if Pearson is unable to generate the anticipated revenue growth, synergies and/or cost savings associated with these or other acquisitions.

Pearson's reported earnings and cash flows may be adversely affected by changes in pension costs and funding requirements.

Pearson operates a number of pension plans throughout the world, the principal ones being in the UK and US. The major plans are self-administered with the plans' assets held independently of Pearson. Regular valuations, conducted by independent qualified actuaries, are used to determine pension costs and funding requirements. As these assets are invested in volatile capital markets, the plans may require additional funding which could have an adverse impact on Pearson's results.

It is Pearson's policy to ensure that each pension plan is adequately funded, over time, to meet its ongoing and future liabilities. Pearson's earnings and cash flows may be adversely affected by the need to provide additional funding to eliminate pension fund deficits in its defined benefit plans. Pearson's greatest exposure relates to its UK defined benefit pension plan, which is valued once every three years. Pension fund deficits may arise because of inadequate investment returns, increased member life expectancy, changes in actuarial assumptions and changes in pension regulations, including accounting rules and minimum funding requirements.

A full valuation of Pearson's UK defined benefit pension plan will be carried out during 2009. Any additional funding requirements will be evaluated on completion of this actuarial review and any additional contributions required are unlikely to be commenced until 2010.

Pearson generates a substantial proportion of its revenue in foreign currencies (particularly the US dollar) and foreign exchange rate fluctuations could adversely affect Pearson's earnings and the strength of its balance sheet.

As with any international business, Pearson's earnings can be materially affected by exchange rate movements. Pearson is particularly exposed to movements in the US dollar to sterling exchange rate as approximately 60 per cent. of its revenue is generated in US dollars. Sales for 2008, translated at 2007 average rates, would have been £4,491m or 7 per cent. lower.

This is primarily a currency translation risk (i.e. non-cash flow item), and not a trading risk (i.e. cash flow item), as currency trading flows are relatively limited.

Pearson generates about 60 per cent. of its sales in the US and each 5¢ change in the average £:$ exchange rate for the full year (which in 2008 was £1:$1.85) would have an impact of approximately 1p on adjusted earnings per share and affect shareholders' funds by approximately £100m.

Changes in Pearson's tax position can significantly affect its reported earnings and cash flows.

Changes in corporate tax rates and/or other relevant tax laws or their interpretation in the UK and/or the US could have a material impact on Pearson's future reported tax rate and/or future tax payments.

A significant deterioration in Pearson's profitability and/or cash flow, caused by a severe economic depression, could reduce Pearson's liquidity and/or impair its financial ratios, and trigger a need to raise additional funds from the capital markets and/or renegotiate Pearson's banking covenants.

A prolonged and severe economic depression could significantly reduce Pearson's revenues, profitability and cash flows as customers would be unable to purchase products and services in the expected quantities and/or pay for them within normal agreed terms. A liquidity shortfall may delay certain development initiatives or may expose Pearson to a need to negotiate further funding. If there was a steep decline in operating profit, Pearson might breach its banking covenants, creating (or exacerbating) a need for further funding (or a renegotiation of the terms of the bank credit agreement) to maintain operations. The current fragile state of the credit markets could expose Pearson to a risk that it could neither re-negotiate its existing banking facilities, nor raise enough new funding, at a cost level that was sustainable for the business. Were this to occur, the inability to raise funding would likely lead to a curtailment in investment and growth plans, potential asset disposals (if possible), reduction in or elimination of the dividend and, in an extreme case, a need to restructure Pearson's debt, business model and terms of trade.

Factors which are material for the purpose of assessing the market risks associated with the Notes

The Notes may not be a suitable investment for all investors

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor's currency;

(iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant financial markets; and

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Notes contain an optional redemption feature, which is likely to limit their market value. During any period when the Issuer may elect to redeem the Notes, the market value of the Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem the Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Risks related to the Notes generally

Set out below is a brief description of certain risks relating to the Notes generally:

Meetings of Noteholders, modification, waiver authorisation, determination and substitution

The Terms and Conditions of the Notes and the Trust Deed (as defined in the Terms and Conditions of the Notes) contain provisions for convening meetings of Noteholders to consider any matter affecting their interests. These provisions permit defined majorities to bind all Noteholders, including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Terms and Conditions of the Notes and the Trust Deed also provide that the Trustee may, without the consent of the Noteholders or Couponholders, (i) agree to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes, the Coupons or the Trust Deed or (ii) determine that any Event of Default or Potential Event of Default (as defined in the Trust Deed) shall not be treated as such, provided that, in either case, in the opinion of the Trustee, it will not be materially prejudicial to the interests of Noteholders, or may agree, without such consent as aforesaid, to any modification of the provisions of the Notes or the Trust Deed which, in its opinion, is of a formal, minor or technical nature or is to correct a manifest or proven error or is to comply with mandatory provisions of applicable law.

The Trust Deed contains provisions under which the Trustee may, without the consent of the Noteholders or the Couponholders, agree with the Issuer and the Guarantor to the substitution (a) in place of the Issuer as the principal debtor in respect of the Notes of (i) of the Guarantor, (ii) a successor in business to the Issuer or the Guarantor, (iii) a holding company (as defined in the Trust Deed) of the Issuer or the Guarantor or (iv) any subsidiary of the Guarantor; or (b) in place of the Guarantor as the guarantor in respect of the Notes, the Coupons and the Trust Deed of (i) a successor in business to the Guarantor or (ii) a holding company of the Guarantor, in each case subject to certain conditions, as specified in Condition 14 of the Notes and the Trust Deed, including the Trustee being satisfied that the substitution is not materially prejudicial to the interests of the Noteholders.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

On 15 September 2008 the European Commission issued a report to the Council of the European Union on the operation of the EU Savings Directive, which included the Commission's advice on the need for changes to the EU Savings Directive. On 13 November 2008 the European Commission published a more detailed proposal for amendments to the EU Savings Directive, which included a number of suggested changes. If any of those proposed changes are made in relation to the EU Savings Directive, they may amend or broaden the scope of the requirements described above.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to the Notes as *a result of the imposition of such withholding tax. If a withholding tax is imposed on payment made by a Paying Agent following implementation of this Directive, the Issuer will be required to maintain a Paying Agent in a European Union Member State that will not be obliged to withhold or deduct tax pursuant to the Directive.*

Change of law

The conditions of the Notes are based on English law in effect as at the date of this Offering Circular. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Offering Circular.

Denominations involve integral multiples: definitive Notes

The Notes have denominations consisting of a minimum of £50,000 plus one or more higher integral multiples of £1,000. It is possible that the Notes may be traded in amounts that are not integral multiples of £50,000. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than £50,000 in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to £50,000.

If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of £50,000 may be illiquid and difficult to trade.

Risks related to the market generally

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

The secondary market generally

The Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. As such, the Notes generally will have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes and the Guarantor will make any payments under the Guarantee in Sterling. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than Sterling. These include the risk that exchange rates may significantly change (including changes due to devaluation of Sterling or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to Sterling would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency-equivalent value of the principal payable on the Notes and (3) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks

Investment in the Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of them.

Credit ratings may not reflect all risks

Moody's Investors Service, Inc. and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. have assigned credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Notes are legal investments for it, (2) the Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of the Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published or are published simultaneously with this Offering Circular and have been filed with the Financial Services Authority shall be incorporated in, and form part of, this Offering Circular:

(a) the auditors' report and audited annual financial statements of the Issuer for the financial year ended 31 December,2008 including the information set out at the following pages in particular:

Balance Sheet .... Page 5

Profit and Loss Account .... Page 4

Accounting Policies and Notes .... Pages 6 to 7

Audit Report .... Page 8

Any other information not listed above but contained in such document is incorporated by reference for information purposes only;

(b) the auditors' report and audited annual financial statements of the Issuer for the financial year ended 31 December, 2007 including the information set out at the following pages in particular:

Balance Sheet .... Page 5

Profit and Loss Account .... Page 4

Accounting Policies and Notes .... Pages 6 to 7

Audit Report .... Page 8

Any other information not listed above but contained in such document is incorporated by reference for information purposes only;

(c) the auditors' report and audited consolidated annual financial statements of the Guarantor for the financial year ended 31 December, 2008 including the information set out at the following pages in particular:

Balance Sheet .... Pages 74 to 75

Income Statement... Page 73

Accounting Policies and Notes .... Pages 79 to 142

Audit Report .... Pages 77 to 78

Any other information not listed above but contained in such document is incorporated by reference for information purposes only;

(d) the auditors' report and audited consolidated annual financial statements of the Guarantor for the financial year ended 31 December, 2007 including the information set out at the following pages in particular:

Balance Sheet .... Page 51

Income Statement... Page 50

Accounting Policies and Notes .... Pages 54 to 94

Audit Report .... Page 53

Any other information not listed above but contained in such document is incorporated by reference for information purposes only; and

(e) memorandum and articles of association of the Issuer and the Guarantor.

Following the date of this Offering Circular, the documents described in paragraphs (a) to (e) above will be available for inspection from the registered office of the Issuer and from the specified offices of the Paying Agent for the time being in London.

Any documents themselves incorporated by reference in the documents incorporated by reference in this Offering Circular shall not form part of this Offering Circular.

CONDITIONS OF THE NOTES

The following is the text of the Conditions of the Notes which (subject to modification) will be endorsed on each Note in definitive form (if issued):

The £300,000,000 6.00 per cent. Guaranteed Notes due 2015 (the **Notes**, which expression shall in these Conditions, unless the context otherwise requires, include any further notes issued pursuant to Condition 17 (*Further Issues*) and forming a single series with the Notes) of Pearson Funding One plc (the **Issuer**) are constituted by a Trust Deed dated 26 March 2009 (the **Trust Deed**) made between the Issuer, Pearson plc (the **Guarantor**) as guarantor and The Law Debenture Trust Corporation p.l.c. (the **Trustee**, which expression shall include its successor(s)) as trustee for the holders of the Notes (the **Noteholders**) and the holders of the interest coupons appertaining to the Notes (the **Couponholders** and the **Coupons** respectively).

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of and definitions in the Trust Deed. Copies of the Trust Deed and the Agency Agreement dated 26 March 2009 (the **Agency Agreement**) made between the Issuer, the Guarantor, the initial Paying Agents, and the Trustee are available for inspection during normal business hours by the Noteholders and the Couponholders at the registered office for the time being of the Trustee, being at the date of issue of the Notes at Fifth Floor, 100 Wood Street, London EC2V 7EX, United Kingdom and at the specified office of each of the Paying Agents. The Noteholders and the Couponholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them.

1. FORM, DENOMINATION AND TITLE

1.1 Form and Denomination

The Notes are in bearer form, serially numbered, in the denominations of £50,000 and integral multiples of £1,000 in excess thereof up to and including £99,000 with Coupons attached on issue. Notes of one denomination may not be exchanged for Notes of the other denomination.

1.2 Title

Title to the Notes and to the Coupons will pass by delivery.

1.3 Holder Absolute Owner

The Issuer, the Guarantor, any Paying Agent and the Trustee may (to the fullest extent permitted by applicable laws) deem and treat the bearer of any Note or Coupon as the absolute owner for all purposes (whether or not the Note or Coupon shall be overdue and notwithstanding any notice of ownership or writing on the Note or Coupon or any notice of previous loss or theft of the Note or Coupon or of any trust or interest therein) and shall not be required to obtain any proof thereof or as to the identity of such bearer.

2. STATUS OF THE NOTES

The Notes and the Coupons are direct, unconditional, unsubordinated and (subject to the provisions of Condition 4 (*Negative Pledge*)) unsecured obligations of the Issuer and rank and will rank pari passu among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.

3. GUARANTEE

3.1 Guarantee

The payment of the principal and interest in respect of the Notes and all other moneys payable by the Issuer under or pursuant to the Trust Deed has been unconditionally and irrevocably guaranteed by the Guarantor (the **Guarantee**) in the Trust Deed.

3.2 Status of the Guarantee

The obligations of the Guarantor under the Guarantee are direct, unconditional, unsubordinated and (subject to the provisions of Condition 4 (*Negative Pledges*)) unsecured obligations of the Guarantor and rank and will rank pari passu among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Guarantor, from time to time outstanding.

4. NEGATIVE PLEDGES

So long as any of the Notes remains outstanding:

(a) the Issuer will not create or permit to arise or subsist any Quoted Indebtedness or grant or permit to subsist any guarantee of any Quoted Indebtedness, which Quoted Indebtedness or guarantee of Quoted Indebtedness is secured by any mortgage, pledge or other charge upon any of the present or future assets or revenues (including uncalled capital) of the Issuer, unless in any such case as aforesaid simultaneously with, or prior to the creation of such security, there shall be taken any and all action necessary to procure that such security is extended equally and rateably to all amounts payable in respect of the Notes, the Coupons and under the Trust Deed to the satisfaction of the Trustee, or such other security is provided as the Trustee shall in its absolute discretion deem not materially less beneficial to the interests of the Noteholders or as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders; and

(b) the Guarantor will not create or permit to arise or subsist any Quoted Indebtedness or grant or permit to subsist any guarantee of any Quoted Indebtedness, which Quoted Indebtedness or guarantee of Quoted Indebtedness is secured by any mortgage, pledge or other charge upon any of the present or future assets or revenues (including uncalled capital) of the Guarantor, unless in any such case as aforesaid simultaneously with, or prior to the creation of such security, there shall be taken any and all action necessary to procure that such security is extended equally and rateably to all amounts payable in respect of the Notes, the Coupons and under the Trust Deed to the satisfaction of the Trustee, or such other security is provided as the Trustee shall in its absolute discretion deem not materially less beneficial to the interests of the Noteholders or as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders.

For the purposes of this Condition, **Quoted Indebtedness** means any indebtedness of the Issuer or the Guarantor or of any other person which is in the form of or represented by any bonds, notes, debentures, loan stock or other securities which are intended by the Issuer or the Guarantor to be, or are, with the consent or concurrence of the Issuer or the Guarantor for the time being, quoted or listed on, or dealt in or traded on, any stock exchange, over-the-counter market or other organised securities market (whether or not initially distributed by means of a private placing) and any reference to a guarantee in respect of any Quoted Indebtedness shall include a reference to an indemnity being given in respect thereof.

5. INTEREST

5.1 Interest Rate and Interest Payment Dates

The Notes bear interest on their outstanding principal amount from and including 26 March 2009 at the rate of 6.00 per cent. per annum, payable annually in arrear on 15 December (each an **Interest Payment Date**). The first payment (for the period from and including 26 March 2009 to but excluding 15 December 2009 and amounting to £ 43.40 per £1,000 principal amount of Notes) shall be made on 15 December 2009.

5.2 Interest Accrual

Each Note will cease to bear interest from and including its due date for redemption unless, upon due presentation, payment of the principal in respect of the Note is improperly withheld or refused or unless default is otherwise made in respect of payment, in which event interest shall continue to accrue as provided in the Trust Deed.

5.3 Calculation of Broken Interest

When interest is required to be calculated in respect of a period of less than a full year, it shall be calculated on the basis of (a) the actual number of days in the period from and including the date from which interest begins to accrue (the **Accrual Date**) to but excluding the date on which it falls due divided by (b) the actual number of days from and including the Accrual Date to but excluding the next following Interest Payment Date.

6. PAYMENTS

6.1 Payments in respect of Notes

Payments of principal and interest in respect of each Note will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the Note, except that payments of interest due on an Interest Payment Date will be made against presentation and surrender (or, in the case of part payment only, endorsement) of the relevant Coupon, in each case at the specified office outside the United States of any of the Paying Agents.

6.2 Method of Payment

Payments will be made by credit or transfer to an account in Sterling maintained by the payee with a bank in London.

6.3 Missing Unmatured Coupons

Each Note should be presented for payment together with all relative unmatured Coupons, failing which the full amount of any relative missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the full amount of the missing unmatured Coupon which the amount so paid bears to the total amount due) will be deducted from the amount due for payment. Each amount so deducted will be paid in the manner mentioned above against presentation and surrender (or, in the case of part payment only, endorsement) of the relative missing Coupon at any time before the expiry of ten years after the Relevant Date (as defined in Condition 8 (*Taxation*)) in respect of the relevant Note (whether or not the Coupon would otherwise have become void pursuant to Condition 9 (*Prescription*)) or, if later, five years after the date on which the Coupon would have become due, but not thereafter.

6.4 Payments subject to Applicable Laws

Payments in respect of principal and interest on the Notes are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 8 (*Taxation*).

6.5 Payment only on a Presentation Date

A holder shall be entitled to present a Note or Coupon for payment only on a Presentation Date and shall not, except as provided in Condition 5 (*Interest*), be entitled to any further interest or other payment if a Presentation Date is after the due date.

Presentation Date means a day which (subject to Condition 9 (*Prescription*)):

(a) is or falls after the relevant due date;

(b) is a Business Day in the place of the specified office of the Paying Agent at which the Note or Coupon is presented for payment; and

(c) in the case of payment by credit or transfer to a Sterling account in London as referred to above, is a Business Day in London.

In this Condition, **Business Day** means, in relation to any place, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in that place and **TARGET2 Settlement Day** means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (**TARGET2**) System is open.

6.6 Initial Paying Agents

The names of the initial Paying Agents and their initial specified offices are set out at the end of these Conditions. The Issuer and the Guarantor reserve the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents provided that:

(a) there will at all times be a Principal Paying Agent;

(b) there will at all times be at least one Paying Agent (which may be the Principal Paying Agent) having its specified office in a European city which so long as the Notes are admitted to official listing on the London Stock Exchange shall be London or such other place as the UK Listing Authority may approve;

(c) the Issuer undertakes that it will ensure that it maintains a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; and

(d) there will at all times be a Paying Agent in a jurisdiction within continental Europe, other than the jurisdiction in which the Issuer or the Guarantor is incorporated.

Notice of any termination or appointment and of any changes in specified offices will be given to the Noteholders promptly by the Issuer in accordance with Condition 13 (*Notices*).

7. REDEMPTION AND PURCHASE

7.1 Redemption at Maturity

Unless previously redeemed or purchased and cancelled as provided below, the Issuer will redeem the Notes at their principal amount on 15 December 2015.

7.2 Redemption for Taxation Reasons

If the Issuer satisfies the Trustee immediately before the giving of the notice referred to below that:

(a) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 8 (*Taxation*)), or any change in the application or official interpretation of the laws or regulations of a Relevant Jurisdiction, which change or amendment becomes effective after 24 March 2009, on the next Interest Payment Date either (i) the Issuer would be required to pay additional amounts as provided or referred to in Condition 8 (*Taxation*) or (ii) the Guarantor would be unable for reasons outside its control to procure payment by the Issuer and in making payment itself would be required to pay such additional amounts; and

(b) the requirement cannot be avoided by the Issuer or, as the case may be, the Guarantor taking reasonable measures available to it,

the Issuer may at its option, having given not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 13 (*Notices*) (which notice shall be irrevocable), redeem all the Notes, but not some only, at any time at their principal amount together with interest accrued to but excluding the date of redemption, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or, as the case may be, the Guarantor would be required to pay such additional amounts, were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee a certificate signed by two Directors of the Issuer or, as the case may be, the Guarantor stating that the requirement referred to in (a) above will apply on the next Interest Payment Date and cannot be avoided by the Issuer or, as the case may be, the Guarantor taking reasonable measures available to it, and the Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders and the Couponholders.

7.3 Redemption at the Option of the Issuer

The Issuer may, at any time, having given not less than 30 nor more than 90 days' notice to the Noteholders in accordance with Condition 13 (*Notices*) (which notice shall be irrevocable), redeem all (but not some only) of the Notes at the following price, together with interest accrued up to, but excluding, the date of redemption:

(a) par, or, if higher,

(b) that price (the **Redemption Price**), expressed as a percentage (rounded to three decimal places, 0.0005 being rounded up), at which the Gross Redemption Yield on the Notes, if they were to be purchased at such price on the third dealing day prior to the date of publication of the notice of redemption, would be equal to 40 basis points above the Gross Redemption Yield on such dealing day of 4.75 per cent. Treasury Stock September 2015 or, if such stock is no longer in issue, of such other United Kingdom government stock as the Trustee, with the advice of three leading brokers operating in the gilt-edged market and/or gilt-edged market makers or such other three persons operating in the gilt-edged market as the Trustee may approve, shall determine to be appropriate (the **Reference Stock**) on the basis of the middle market price of the Reference Stock prevailing at 11.00 a.m. on such dealing day as determined by Deutsche Bank AG (or such other persons as the Trustee may approve).

References in the Trust Deed and in these Conditions to principal shall, unless the context otherwise requires, be deemed to include a reference to the Redemption Price.

The **Gross Redemption Yield** on the Notes and on the Reference Stock will be expressed as a percentage and will be calculated by the Calculation Agent on the basis set out in the United Kingdom Debt Management Office paper ''Formulae for Calculating Gilt Prices from Yields'' page 4, Section One: Price/Yield Formulae ''Conventional Gilts; Double-dated and Undated Gilts with Assumed (or Actual) Redemption on a Quasi-Coupon Date'' (published on 8 June 1998 and updated on 15 January 2002 and as further updated or amended) on an annual compounding basis rounded up (if necessary) to three decimal places, 0.0005 being rounded up, or on such other basis as the Trustee may in its sole discretion approve.

For the purposes of this Condition **Calculation Agent** means a financial institution of international repute as designated by the Issuer from time to time and as notified by the Issuer to the Trustee in advance of such designation.

7.4 Redemption on a Change of Control Triggering Event

If a Change of Control Triggering Event occurs, unless the Issuer has exercised its option to redeem the Notes pursuant to Conditions 7.2 or 7.3, the Issuer will be required to make an offer (the **Change of Control Offer**) to each Noteholder to repurchase all or any part (equal to £50,000 or an integral multiple of £1,000 in excess thereof) of that Noteholder's Notes on the terms set forth in the Notes. In the Change of Control Offer, the Issuer will be required to offer payment in cash equal to 101 per cent. of the aggregate principal amount of Notes repurchased, plus accrued and unpaid interest, if any, on the Notes repurchased to but excluding the date of repurchase (the **Change of Control Payment**). Within 30 days following any Change of Control Triggering Event or, at the option of the Issuer, prior to any Change of Control, but after public announcement of the transaction that constitutes or may constitute the Change of Control, the Issuer will give written notice to the Trustee, in accordance with the procedures set forth in Clause 26 (*Notices*) of the Trust Deed, describing the transaction which constitutes or may constitute the Change of Control Triggering Event and offering to repurchase the Notes on the date specified in such notice, which date will be a date no earlier than 30 days and no later than 60 days from the date such notice is given (the **Change of Control Payment Date**).

The notice will, if given prior to the date of consummation of the Change of Control, state that the offer to purchase is conditional on the Change of Control Triggering Event occurring on or prior to the Change of Control Payment Date.

On the Change of Control Payment Date, the Issuer will, to the extent lawful:

(a) accept for payment all Notes or portions of Notes properly tendered pursuant to the Change of Control Offer;

(b) deposit with the Principal Paying Agent an amount equal to the Change of Control Payment in respect of all Notes or portions of Notes properly tendered; and

(c) deliver or cause to be delivered to the Principal Paying Agent the Notes properly accepted together with a certificate signed by an Officer of the Issuer stating the aggregate principal amount of Notes or portions of Notes being repurchased.

The Issuer will not be required to make a Change of Control offer upon the occurrence of a Change of Control Triggering Event if a third party makes such an offer in the manner, at the times and otherwise in compliance with the requirements for an offer made by the Issuer and the third party repurchases all Notes properly tendered and not withdrawn under its offer. In addition, the Issuer will not repurchase any Notes if there has occurred and is continuing on the Change of Control Payment Date an Event of Default under Condition 10 (*Events of Default*), other than a default in the payment of the Change of Control Payment upon a Change of Control Triggering Event.

The Guarantor hereby irrevocably and unconditionally guarantees the obligations of the Issuer to offer to repurchase the Notes as described above. The Guarantor further irrevocably and unconditionally guarantees to make payment for any and all Notes properly tendered for payment as described above.

The Trustee is under no obligation to ascertain whether a Change of Control Triggering Event, a Change of Control or Rating Event or any event which could lead to the occurrence of or could constitute a Change of Control Triggering Event or Rating Event has occurred and, until it shall have actual knowledge or notice pursuant to the Trust Deed to the contrary, the Trustee may assume that no Change of Control Triggering Event, Change of Control or Rating Event or other such event has occurred.

References in the Trust Deed and in these Conditions to principal shall, unless the context otherwise requires, be deemed to include a reference any purchase monies paid pursuant to this Condition 7.4.

7.5 Purchases

The Issuer, the Guarantor or any of the Guarantor's other Subsidiaries may at any time purchase Notes (provided that all unmatured Coupons appertaining to the Notes are purchased with the Notes) in any manner and at any price.

7.6 Cancellations

All Notes which are (a) redeemed or (b) purchased by or on behalf of the Issuer, the Guarantor or any of the Guarantor's other Subsidiaries will forthwith be cancelled, together with all relative unmatured Coupons attached to the Notes or surrendered with the Notes, and accordingly may not be held, reissued or resold.

7.7 Notices Final

Upon the expiry of any notice as is referred to in paragraph 7.2, 7.3 or 7.4 above the Issuer shall be bound to redeem or purchase the Notes to which the notice refers, all in accordance with the terms of such paragraph.

7.8 Interpretation

In these Conditions:

Affiliate shall have the meaning given in Rule 405 of the United States of America's Securities Act of 1933.

Board of Directors means, as to any Person, the board of directors, management committee or similar governing body of such Person or any duly authorised committee thereof.

Change of Control means the occurrence of any of the following:

(a) the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that any Person or "group" (as used in Section 13d-3 of the Exchange Act) (other than an Affiliate of the Guarantor) becomes the beneficial owner, directly or indirectly, of more than 50 per cent. of the Voting Stock of the Guarantor or other Voting Stock into which the Voting Stock of the Guarantor is reclassified, consolidated, exchanged or changed, measured by voting power rather than number of shares;

(b) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or more series of related transactions, of all or substantially all of the assets of the Guarantor and the Subsidiaries of the Guarantor, taken as a whole, to one or more Persons (other than an Affiliate of the Guarantor);

(c) the first day on which a majority of the members of the Board of Directors of the Guarantor are not Continuing Directors; or

(d) the adoption of a plan relating to the liquidation or dissolution of the Guarantor.

Notwithstanding the foregoing, a transaction will not be deemed to involve a Change of Control if:

(i) the Guarantor becomes a direct or indirect wholly-owned subsidiary of a holding company; and

(ii) (A) the direct or indirect holders of the Voting Stock of such holding company immediately following that transaction are substantially the same as the holders of the Voting Stock of the Guarantor immediately prior to that transaction or (B) immediately following that transaction one Person (other than a holding company satisfying the requirements of this sentence) is not the beneficial owner, directly or indirectly, of more than 50 per cent. of the Voting Stock of such holding company.

Change of Control Triggering Event means the occurrence of both a Change of Control and a Rating Event.

Continuing Directors means, as of any date of determination, any member of the Board of Directors of the Guarantor who (1) was a member of such Board of Directors on the date the Notes were issued or (2) was nominated for election, elected or appointed to such Board of Directors with the approval of a majority of the continuing directors who were members of such Board of Directors at the time of such nomination, election or appointment (either by a specific vote or by approval of the proxy statement of the Guarantor in which such member was named as a nominee for election as a director, without objection to such nomination).

Exchange Act means the United States of America's Securities Exchange Act of 1934.

Investment Grade Rating means a rating equal to or higher than Baa3 (or the equivalent) by Moody's and BBB- (or the equivalent) by S&P, and the equivalent investment grade credit rating from any additional rating agency or rating agencies selected by the Issuer.

Moody's means Moody's Investor Service Inc.

Officer means, when used in connection with any action to be taken by the Issuer or the Guarantor, as the case may be, the chairman of the Board of Directors, the chief executive officer, any executive director of the Issuer or the Guarantor, as the case may be, or any person authorised by the Board of

Directors of the of the Issuer or the Guarantor, as the case may be, (such authorisation to be evidenced in writing and delivered to the Trustee) to act as representative of such persons.

Person means an individual, partnership, corporation, limited liability company, unincorporated organisation, trust or joint venture, or a governmental agency or political subdivision thereof, or any other entity.

Rating Agencies means (1) each of Moody's and S&P; and (2) if either Moody's or S&P ceases to rate the Notes or fails to make a rating of the Notes publicly available for reasons outside the control of the Issuer and the Guarantor, a "nationally recognised statistical rating organisation" within the meaning of Rule 15c3-1(c)(2)(vi)(F) of the Exchange Act selected by the Issuer or the Guarantor (as certified by a resolution of the Board of Directors of the Issuer or the Guarantor) as a replacement agency for Moody's or S&P, or both of them, as the case may be.

Rating Event means the rating on the Notes is lowered by each of the Rating Agencies and the Notes are rated below an Investment Grade Rating by each of the Rating Agencies on any day during the period commencing 60 days prior to the first public announcement by the Guarantor of any Change of Control (or pending Change of Control) and ending 60 days following the consummation of such Change of Control (which period will be extended following consummation of a Change of Control for so long as any of the Rating Agencies has publicly announced that it is considering a possible ratings change).

Subsidiary means, in relation to the Issuer or the Guarantor, any company (i) in which the Issuer or, as the case may be, the Guarantor holds a majority of the voting rights or (ii) of which the Issuer or, as the case may be, the Guarantor is a member and has the right to appoint or remove a majority of the board of directors or (iii) of which the Issuer or, as the case may be, the Guarantor is a member and controls a majority of the voting rights, and includes any company which is a Subsidiary of a Subsidiary of the Issuer or, as the case may be, the Guarantor.

S&P means Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc.

Voting Stock means, with respect to any specified Person as of any date, the capital stock of such Person that is at the time entitled to vote generally in the election of the board of directors of such Person.

8. TAXATION

8.1 Payment without Withholding

All payments in respect of the Notes by or on behalf of the Issuer or the Guarantor shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (**Taxes**) imposed or levied by or on behalf of the Relevant Jurisdiction, unless the withholding or deduction of the Taxes is required by law. In that event, the Issuer or, as the case may be, the Guarantor will pay such additional amounts as may be necessary in order that the net amounts received by the Noteholders and Couponholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes or, as the case may be, Coupons in the absence of the withholding or deduction; except that no additional amounts shall be payable in relation to any payment in respect of any Note or Coupon:

(a) presented for payment by or on behalf of, a holder who is liable to the Taxes in respect of the Note or Coupon by reason of his having some connection with the Relevant Jurisdiction other than the mere holding of the Note or Coupon; or

(b) presented for payment in the United Kingdom; or

(c) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(d) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the European Union; or

(e) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that a holder would have been entitled to additional amounts on presenting the same for payment on the last day of the period of 30 days assuming, whether or not such is in fact the case, that day to have been a Presentation Date (as defined in Condition 6 (*Payments*).

8.2 Interpretation

In these Conditions:

(a) **Relevant Date** means the date on which the payment first becomes due but, if the full amount of the money payable has not been received by the Principal Paying Agent or the Trustee on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect has been duly given to the Noteholders by the Issuer in accordance with Condition 13 (*Notices*); and

(b) **Relevant Jurisdiction** means the United Kingdom or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer or the Guarantor, as the case may be, becomes subject in respect of payments made by it of principal and interest on the Notes and Coupons.

8.3 Additional Amounts

Any reference in these Conditions to any amounts in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under this Condition or under any undertakings given in addition to, or in substitution for, this Condition pursuant to the Trust Deed.

9. PRESCRIPTION

Notes and Coupons will become void unless presented for payment within periods of 10 years (in the case of principal) and five years (in the case of interest) from the Relevant Date in respect of the Notes or, as the case may be, the Coupons, subject to the provisions of Condition 6 (*Payments*).

10. EVENTS OF DEFAULT

10.1 At any time after the happening of any of the following events (each an **Event of Default**), the Trustee at its absolute discretion may, and if so required in writing by the holders of not less than 25 per cent. in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction), give notice to the Issuer declaring the Notes to be repayable, so long as at the time of such notice such event or (as the case may be) all such events shall not have been waived by, or remedied to the reasonable satisfaction of, the Trustee:

(a) default being made in the payment of any interest in respect of any of the Notes for a period of more than 14 days as and when the same ought to be paid; or

(b) default being made by the Issuer or the Guarantor in the performance or observance of any other covenant, undertaking, condition or provision contained in the Trust Deed or in the Notes and (except where the Trustee shall have certified in writing to the Issuer or the Guarantor (as the case may be) that it considers such default to be incapable of remedy when no such notice as is hereinafter mentioned shall be required) such default continues for a period of 30 days or more immediately following the service by the Trustee on the Issuer of a notice requiring the same to be remedied; or

(c) the repayment of any indebtedness for Borrowed Money of the Issuer, the Guarantor or any Material Company in an aggregate amount of not less than U.S.$50,000,000 (or its equivalent in any other currency) being accelerated by reason of a default or event of default (howsoever described); or the Issuer, the Guarantor or any Material Company defaulting (after any applicable grace period as originally provided) in any payment of principal, premium or interest in respect of any such indebtedness of an aggregate amount of not less than U.S.$50,000,000 (or its equivalent in any other currency) or the security for any such indebtedness or any guarantee of any such indebtedness becoming enforceable and steps being taken to enforce the same; or

(d) an order being made or an effective resolution being passed for the winding up or dissolution of the Issuer, the Guarantor or any Material Company (except, in the case of a Material Company, for a winding-up for the purpose of a reconstruction or amalgamation the terms of which have previously been approved in writing by the Trustee or a voluntary solvent winding-up in connection with the transfer of all or the major part of the business, undertaking and assets of such Material Company to the Issuer or the Guarantor, another Material Company or any Subsidiary which becomes a Material Company as a result of such transfer); or

(e) the Issuer, the Guarantor or any Material Company stopping or announcing an intention to stop payment in respect of any binding obligations or ceasing to carry on all or substantially all of its business (except a cessation (1) in the circumstances referred to in the parentheses of paragraph (d) above or (2) consequent upon a sale by a Material Company of all or any part of its business on arm's length terms and for fair market value); or

(f) an encumbrancer taking possession of, or an administrative or other receiver, an administrator or any similar official being appointed in relation to, the Issuer, the Guarantor or any Material Company or in relation to the whole or any substantial part of the undertaking, property, assets or revenues of the Issuer, the Guarantor or any Material Company or a distress or execution or other legal process being levied or enforced upon or sued out against the whole or any substantial part of the chattels or property of the Issuer, the Guarantor or any Material Company and not being discharged within 28 days; or

(g) the Issuer, the Guarantor or any Material Company being unable to pay its debts within the meaning of Section 123(1) of the Insolvency Act 1986; or

(h) the Issuer, the Guarantor or any Material Company consenting to proceedings relating to itself under any applicable bankruptcy, insolvency, composition or other similar laws or making a conveyance or assignment for the benefit of, or entering into any composition with, its creditors generally, or being adjudicated or found bankrupt or insolvent by any competent court; or

(i) the Guarantee ceases to be, or is claimed by the Issuer or the Guarantor not to be, in full force and effect; or

(j) the Issuer ceases to be a subsidiary wholly-owned and controlled, directly or indirectly, by the Guarantor,

and, in the case of the happening of any of the events referred to in paragraphs (b), (c), (e), (f), (g), (h), (i) and (j), the same having been certified in writing by the Trustee to be in its opinion materially prejudicial to the interests of the Noteholders.

Upon any such declaration being made as aforesaid, the outstanding Notes shall become immediately due and repayable at their principal amount, together with accrued interest as provided in the Trust Deed.

10.2 For the purposes of these conditions:

Borrowed Money means (a) money borrowed and premiums and accrued interest in respect thereof, (b) liabilities under or in respect of any acceptance or acceptance credit and (c) the principal and premium (if any) and accrued interest in respect of any bonds, notes, debentures, debenture stock, loan stock or other securities whether issued for cash or in whole or in part for a consideration other than cash;

Material Company means any Subsidiary of the Guarantor:

(a) whose unconsolidated profits (before interest, taxation and non-operating items) are more than 5 per cent. of the consolidated profits of the Guarantor and its Subsidiaries (the **Group**) (before interest, taxation and non-operating items); or

(b) whose external turnover is more than 3 per cent. of the consolidated turnover of the Group,

all as shown (in the case of any Subsidiary) in the accounts used for preparing the Group consolidation in the most recent annual consolidated financial statements of the Group. If a Subsidiary (other than the Issuer) which is not a Material Company on the basis of the most recent such accounts receives a transfer of assets or the right to receive any trading profits or turnover which, taken together with the existing trading profits, assets or, as the case may be, turnover of that Subsidiary, would satisfy any test in (i) or (ii) above, then that Subsidiary shall also be a Material Company on and from the date it receives such transfer. If a Material Company disposes of any assets or the right to receive any trading profits or turnover such that it would on the basis of the most recent such accounts cease to be a Material Company, then it shall be excluded as a Material Company on and from the date of such disposal.

A report (whether or not addressed to the Trustee) by two directors of the Guarantor that a Subsidiary of the Guarantor is or is not or was or was not at any particular time or throughout any specified period a Material Company may be relied upon by the Trustee without further enquiry or evidence and, if so relied upon by the Trustee shall, in the absence of manifest error, be conclusive and binding on all parties.

11. ENFORCEMENT

11.1 Enforcement by the Trustee

The Trustee may at any time, at its discretion and without notice, take such proceedings against the Issuer and/or the Guarantor as it may think fit to enforce the provisions of the Trust Deed, the Notes and the Coupons, but it shall not be bound to take any such proceedings or any other action in relation to the Trust Deed, the Notes or the Coupons unless (a) it has been so directed by an Extraordinary Resolution of the Noteholders or so requested in writing by the holders of at least one-quarter in principal amount of the Notes then outstanding and (b) it has been indemnified and/or secured and/or prefunded to its satisfaction.

11.2 Enforcement by the Noteholders

No Noteholder or Couponholder shall be entitled to proceed directly against the Issuer or the Guarantor unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

12. REPLACEMENT OF NOTES AND COUPONS

Should any Note or Coupon be lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Principal Paying Agent upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

13. NOTICES

All notices to the Noteholders will be valid if published in a leading English language daily newspaper published in London or such other English language daily newspaper with general circulation in Europe as the Trustee may approve. It is expected that publication will normally be made in the *Financial Times*. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange or the relevant authority on which the Notes are for the time being listed. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If publication as provided above is not practicable, notice will be given in such other manner, and shall be deemed to have been given on such date, as the Trustee may approve. Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Noteholders in accordance with this paragraph.

14. SUBSTITUTION

The Trustee may, without the consent of the Noteholders or the Couponholders, agree with the Issuer and the Guarantor to the substitution (a) in place of the Issuer as the principal debtor in respect of the Notes of (i) the Guarantor, (ii) a successor in business to the Issuer or the Guarantor, (iii) a holding company (as defined in the Trust Deed) of the Issuer or the Guarantor or (iv) any Subsidiary of the Guarantor; or (b) in place of the Guarantor as the guarantor in respect of the Notes, the Coupons and the Trust Deed of (i) a successor in business to the Guarantor or (ii) a holding company of the Guarantor, subject to:

(a) except in the case of the substitution of the Guarantor, the Notes being unconditionally and irrevocably guaranteed by the Guarantor;

(b) the Trustee being satisfied that the interests of the Noteholders will not be materially prejudiced by the substitution; and

(c) certain other conditions set out in the Trust Deed being complied with.

15. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER, AUTHORISATION AND DETERMINATION

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes, the Coupons or any of the provisions of the Trust Deed. Such a meeting may be convened by the Issuer or the Trustee or by Noteholders holding not less than 5 per cent. in principal amount of the Notes for the time being outstanding. The quorum at any such meeting for passing an Extraordinary Resolution will be one or more persons holding or representing a clear majority in principal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the principal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes or the Coupons or the Trust Deed (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes or the Coupons), the quorum shall be one or more persons holding or representing not less than two-thirds in principal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in principal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Couponholders.

The Trustee may agree, without the consent of the Noteholders or Couponholders, to:

(a) any modification of the Notes, the Coupons or the Trust Deed which is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders; or

(b) any modification of the Notes, the Coupons or the Trust Deed which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of applicable law.

The Trustee may also agree, without the consent of the Noteholders or Couponholders, to the waiver or authorisation of any breach or proposed breach of any of these Terms and Conditions or any of the provisions of the Trust Deed or determine, without any such consent as aforesaid, that any Event of Default or Potential Event of Default (each as defined in the Trust Deed) shall not be treated as such, which in any such case is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders.

Any such modification, waiver, authorisation or determination as aforesaid shall be binding on the Noteholders and the Couponholders and, unless the Trustee agrees otherwise, any such modification shall be notified to the Noteholders by the Issuer in accordance with Condition 13 (*Notices*) as soon as practicable thereafter.

In connection with the exercise by it of any of its trusts, powers, authorities or discretions (including, but without limitation, any modification, waiver, authorisation or determination), the Trustee shall have regard to the general interests of the Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders or Couponholders (whatever their number) and, in particular, but without limitation, shall not have regard to the consequences of such exercise for individual Noteholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders except, in the case of the Issuer, to the extent provided for in Condition 8 (*Taxation*) and/or any undertaking given in addition to, or in substitution for, Condition 8 (*Taxation*) pursuant to the Trust Deed.

16. INDEMNIFICATION OF THE TRUSTEE AND ITS CONTRACTING WITH THE ISSUER AND THE GUARANTOR

16.1 Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured and/or prefunded to its satisfaction.

16.2 Trustee Contracting with the Issuer and the Guarantor

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (a) to enter into business transactions with the Issuer and/or the Guarantor and/or any of the Guarantor's other Subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or the Guarantor and/or any of the Guarantor's other Subsidiaries, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders or Couponholders, and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

17. FURTHER ISSUES

The Issuer is at liberty from time to time without the consent of the Noteholders or Couponholders to create and issue further notes or bonds (whether in bearer or registered form) either (a) ranking *pari passu* in all respects (or in all respects save for the first payment of interest thereon) and so that the same shall be consolidated and form a single series with the outstanding notes or bonds of any series (including the Notes) constituted by the Trust Deed or any supplemental deed or (b) upon such terms as to ranking, interest, conversion, redemption and otherwise as the Issuer may determine at the time of the issue. Any further notes or bonds which are to form a single series with the outstanding notes or bonds of any series (including the Notes) constituted by the Trust Deed or any supplemental deed shall, and any other further notes or bonds may (with the consent of the Trustee), be constituted by a deed supplemental to the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of notes or bonds of other series in certain circumstances where the Trustee so decides.

18. GOVERNING LAW

The Trust Deed (including the Guarantee), the Notes and the Coupons and any non-contractual obligations arising out of or in connection with the Trust Deed (including the Guarantee), the Notes and the Coupons are governed by, and will be construed in accordance with, English law.

19. RIGHTS OF THIRD PARTIES

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Note, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

SUMMARY OF THE PROVISIONS RELATING TO THE NOTES WHILE REPRESENTED BY THE GLOBAL NOTES

The following is a summary of the provisions to be contained in the Trust Deed to constitute the Notes and in the Global Notes which will apply to, and in some cases modify, the Conditions of the Notes while the Notes are represented by the Global Notes.

1. Exchange

The Permanent Global Note will be exchangeable in whole but not in part (free of charge to the holder) for definitive Notes only:

(a) upon the happening of any of the events defined in the Trust Deed as "Events of Default"; or

(b) if either Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so and no alternative clearing system satisfactory to the Trustee is available.

Thereupon the holder of the Permanent Global Note (acting on the instructions of one or more of the Accountholders (as defined below)) or the Trustee may give notice to the Issuer of its intention to exchange the Permanent Global Note for definitive Notes on or after the Exchange Date (as defined below).

On or after the Exchange Date the holder of the Permanent Global Note shall surrender the Permanent Global Note to or to the order of the Principal Paying Agent. In exchange for the Permanent Global Note the Issuer will deliver, or procure the delivery of, an equal aggregate principal amount of definitive Notes (having attached to them all Coupons in respect of interest which has not already been paid on the Permanent Global Note), security printed in accordance with any applicable legal and stock exchange requirements and in or substantially in the form set out in the Trust Deed. On exchange of the Permanent Global Note, the Issuer will procure that it is cancelled and, if the holder so requests, returned to the holder together with any relevant definitive Notes.

For these purposes, **Exchange Date** means a day specified in the notice requiring exchange falling not less than 60 days after that on which such notice is given and being a day on which banks are open for general business in the place in which the specified office of the Principal Paying Agent is located and, except in the case of exchange pursuant to (b) above, in the place in which the relevant clearing system is located.

2. Payments

On and after 6 May 2009, no payment will be made on the Temporary Global Note unless exchange for an interest in the Permanent Global Note is improperly withheld or refused. Payments of principal and interest in respect of Notes represented by a Global Note will, subject as set out below, be made to the bearer of such Global Note and, if no further payment falls to be made in respect of the Notes, against surrender of such Global Note to the order of the Principal Paying Agent or such other Paying Agent as shall have been notified to the Noteholders for such purposes. The Issuer shall procure that the amount so paid shall be entered *pro rata* in the records of Euroclear and Clearstream, Luxembourg and the nominal amount of the Notes recorded in the records of Euroclear and Clearstream, Luxembourg and represented by such Global Note will be reduced accordingly. Each payment so made will discharge the Issuer's obligations in respect thereof. Any failure to make the entries in the records of Euroclear and Clearstream, Luxembourg shall not affect such discharge.

Payments of interest on the Temporary Global Note (if permitted by the first sentence of this paragraph) will be made only upon certification as to non-U.S. beneficial ownership unless such certification has already been made.

3. Notices

For so long as all of the Notes are represented by one or both of the Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg (as the case may be) for communication to the relative Accountholders rather than by publication as required by Condition 13 (*Notices*).

4. Accountholders

For so long as all of the Notes are represented by one or both of the Global Notes and such Global Note(s) is/are held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular principal amount of such Notes (each an **Accountholder**) (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the principal amount of such Notes standing to the account of any person shall, in the absence of manifest error, be conclusive and binding for all purposes) shall be treated as the holder of such principal amount of such Notes for all purposes (including but not limited to, for the purposes of any quorum requirements of, or the right to demand a poll at, meetings of the Noteholders and giving notice to the Issuer pursuant to Condition 10 (*Events of Default*)) other than with respect to the payment of principal and interest on such principal amount of such Notes, the right to which shall be vested, as against the Issuer and the Trustee, solely in the bearer of the relevant Global Note in accordance with and subject to its terms and the terms of the Trust Deed. Each Accountholder must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the bearer of the relevant Global Note.

5. Prescription

Claims against the Issuer and the Guarantor in respect of principal and interest on the Notes represented by a Global Note will be prescribed after ten years (in the case of principal) and five years (in the case of interest) from the Relevant Date (as defined in Condition 8 (*Taxation*)).

6. Cancellation

Cancellation of any Note represented by a Global Note and required by the Conditions of the Notes to be cancelled following its redemption or purchase will be effected by endorsement by or on behalf of the Principal Paying Agent of the reduction in the principal amount of the relevant Global Note on the relevant part of the schedule thereto.

USE OF PROCEEDS

The net proceeds of the issue of the Notes, amounting to approximately £295,875,000, will be applied by the Issuer for its general corporate purposes.

DESCRIPTION OF THE ISSUER

The Issuer was incorporated on 22 March 1994 and is a public limited company incorporated under the laws of England and Wales with company number 2911143 with registered office address at 80 Strand, London WC2R 0RL (telephone number +44 (0)20 7010 2000).

On 25 February 2009 the Issuer changed its name from Pearson Sterling Two Plc to Pearson Funding One plc.

The sole business activity of the Issuer is to borrow money and make loans to members of Pearson. The Issuer is a wholly owned subsidiary of the Guarantor.

Directors of the Issuer

Name	Age	Position
David Colville	60	Director
Michael Day	51	Director
Steven Ellis	42	Director

David Colville has been a director of the Issuer since 1 September 1994. Mr. Colville has also been Pearson’s Tax Director since 1997, having been Pearson's Treasurer since 1986. Previously he was with Price Waterhouse. He is a Chartered Accountant and a Member of the Association of Corporate Treasurers.

Michael Day has been a director of the Issuer since 13 January 1998. Mr. Day has also been Pearson's Treasurer since 1997 having been Pearson's Deputy Treasurer since 1989. Previously he was with Citibank, N.A. He is a Fellow of the Association of Corporate Treasurers.

Steven Ellis has been a director of the Issuer since 24 February 2009. Mr. Ellis has also been the Pearson's Deputy Group Treasurer since 2008, having been the Assistant Treasurer since 2005. Previously he was with KPMG. He is a Chartered Accountant and a Member of the Association of Corporate Treasurers.

The business address for directors of the Issuer is 80 Strand, London WC2R 0RL.

No director has any potential conflict of interest between their duties to the Issuer and their private interests and/or other duties.

DESCRIPTION OF THE GUARANTOR

Pearson

Pearson plc was incorporated and registered in 1897 under the laws of England and Wales with company number 53723 as a limited company and re-registered under the UK Companies Act as a public limited company in 1981. It conducts its operations primarily through its subsidiaries and other affiliates. Its registered office and principal executive offices are located at 80 Strand, London WC2R 0RL, United Kingdom (telephone number +44 (0)20 7010 2000).

Pearson is an international media and education group with its principal operations in the education, business information and consumer publishing markets. It creates and manages intellectual property, which it promotes and sells to its customers under well-known brand names, to inform, educate and entertain. Pearson delivers its content in a variety of forms and through a variety of channels, including books, newspapers and online services. Pearson increasingly offers services as well as content, from test creation, administration and processing to teacher development and school software. Though Pearson operates in more than 60 countries around the world, today its largest markets are the US (59 per cent. of sales) and Europe (25 per cent. of sales) on a continuing basis.

Overview of operating divisions

Pearson consists of three major worldwide businesses:

Pearson Education is a leading education company, providing educational materials, technologies, assessments and related services to teachers and students of all ages. It is also a leading provider of electronic learning programmes and of test development, processing and scoring services to educational institutions, corporations and professional bodies around the world. In 2008, Pearson Education operated through three worldwide segments, which are referred to as “North American Education”, “International Education” and “Professional”.

The FT Group provides business and financial news, data, comment and analysis, in print and online to the international business community. It has two major parts:

- FT Publishing includes the globally focused Financial Times newspaper and FT.com website, a range of specialist financial magazines and online services, and Mergermarket, which provides proprietary forward-looking insights and intelligence to businesses and financial institutions.

- Interactive Data provides specialist financial data to financial institutions and retail investors. Pearson owns a 62 per cent. interest in Interactive Data, which is publicly listed on the New York Stock Exchange (NYSE:IDC).

The FT Group also has a 50 per cent. ownership stake in both The Economist Group and FTSE International.

The Penguin Group is a leading brand in book publishing. It publishes the works of many authors in an extensive portfolio of fiction, non-fiction and reference titles under imprints including Penguin, Hamish Hamilton, Putnam, Berkley and Dorling Kindersley.

Pearson’s strategy

Over the past decade, Pearson has set out to become the world’s leading ‘education’ company. Pearson’s objective is to help people make progress in their lives through more knowledge – to help them ‘live and learn’.

Pearson's goal is to produce consistent growth on three key financial measures — adjusted earnings per share, cash flow and return on invested capital — which it believes are, together, good indicators that Pearson is building long-term value.

To achieve this goal, Pearson's strategy has four parts, common to all of its businesses:

- Content: Pearson invests steadily in unique publishing of stories, lessons and information and keeps replenishing it.

- Technology and services: Content alone is not enough, and to make Pearson's content more useful and enticing, it often adds technology. Pearson now receives about a third of its annual sales from technology-based products and services, and these are many of its fastest-growing businesses. Digital services of one kind or another are fundamental to every part of Pearson today.

- International Markets: Though Pearson currently generates approximately 60 per cent. of its sales in the US, its brands, content and technology travel well. All parts of Pearson operate in most developed markets and are also investing in selected emerging markets, where the demand for information and education is growing particularly fast. Pearson's 'international' (meaning 'outside North America') education business, for example, has almost doubled its sales over the past five years. Five years ago, it accounted for 8 per cent. of Pearson's profits; today it is approaching 20 per cent.

- Efficiency: The businesses of Pearson have a lot in common, in costs, assets, and activities. Pooling those makes Pearson stronger and more efficient. It also allows Pearson's businesses to learn from each other and to collaborate to save money. On that basis Pearson has invested for efficiency through savings in its individual businesses and through a strong centralised operations structure. Pearson is integrated in many areas where its businesses share the same needs – purchasing, warehousing, distribution, facilities and real estate, project management, people resources, finance and accounting, and transactions. Over the past five years, it has increased its operating profit margins from 10.6 per cent. to 15.8 per cent. and reduced average working capital as a percentage of sales from 29.4 per cent. to 26.1 per cent., freeing up cash for further investment.

Operating divisions

Pearson Education

Pearson Education is one of the largest publishers of textbooks and online teaching materials. It serves the growing demands of teachers, students, parents and professionals throughout the world for stimulating and effective education programmes in print and online.

Pearson Education's performance is reported in the three segments: North American Education, International Education, and Professional. In 2008, Pearson Education had sales of £3,112m or 65 per cent. (63per cent. in 2007) of Pearson's total. Of these, approximately 60 per cent. were generated in North America and approximately 40 per cent. in the rest of the world. Pearson Education generated 60 per cent. of Pearson's operating profit.

North American Education

Pearson's North American Education business serves educators and students in North America from early education through elementary, middle and high schools and into higher education with a wide range of products and services: curriculum textbooks and other learning materials; student assessments and testing services; and education technologies. Pearson has a leading position in each of these areas and a distinctive strategy of connecting those parts to support institutions and personalise learning. In 2008, Pearson began to integrate its North American School and Higher Education companies, which it believes will bring significant opportunities to develop growth businesses, to share investments and technologies and to gain further efficiencies.

Pearson's North American School business contains a unique mix of publishing, testing and technology products for the elementary and secondary school markets, which are increasingly integrated. The major customers of this business are state education boards and local school districts. The business publishes high quality curriculum programmes for school students, at both elementary and secondary level, under a number of imprints including Scott Foresman and Prentice Hall.

Pearson's school testing business is the leading provider of test development, processing and scoring services to US states and the federal government. Its capabilities have been further enhanced through the integration of the recently acquired Harcourt Assessment business. Pearson is also a leading provider of electronic learning programmes for schools, and of 'Student Information Systems' technology which enables elementary and secondary schools and school districts to record and manage information about student attendance and performance.

Pearson's North American Higher Education business is the largest publisher of textbooks and related course materials for colleges and universities in the US. Pearson publishes across all of the main fields of study with imprints such as Prentice Hall, Addison Wesley, Allyn & Bacon and Benjamin Cummings. Typically, professors or other instructors select or 'adopt' the text books and online resources they recommend for their students, which students then purchase either in a bookstore or online. Today the majority of Pearson's textbooks are accompanied by online services which include homework and assessment tools, study guides and course management systems that enable professors to create online courses. Pearson has also introduced new formats such as downloadable audio study guides and electronic textbooks which are sold on subscription. In addition, Pearson has a fast-growing custom publishing business which works with professors to produce textbooks and online resources specifically adapted for their particular course.

International Education

Pearson's International Education business covers all educational publishing and related services outside North America.

Pearson's International schools business publishes educational materials in local languages in a number of countries. Pearson is one of the world's leading providers of English Language Teaching (**ELT**) materials for children and adults, published under the well-known Longman imprint. Pearson bolstered its position further in international markets through the recent acquisition of Harcourt Education International business.

Outside North America, Pearson's International higher education business adapts its textbooks and technology services for individual markets, and it has a growing local publishing programme, with key markets including the UK, Benelux, Mexico, Germany, Hong Kong, Korea, Taiwan, Singapore, Japan and Malaysia.

Pearson is also a leading provider of testing, assessment and qualification services in a number of key markets including the UK, under the brand name Edexcel, Australia, New Zealand, South Africa, Hong Kong and the Middle East.

Professional

Following the disposal of Government Solutions in 2007 and Data Management in 2008, Pearson's Professional education business has focused on publishing and other learning programmes for professionals in business and technology, and on testing and certifying adults to become professionals. Over the past five years Pearson has significantly re-orientated its professional publishing business towards long-term growth markets and has built professional testing into a profitable industry leader.

Pearson’s Professional education business publishes under the following imprints: Addison Wesley Professional, Prentice Hall PTR, and Cisco Press (for IT professionals), Peachpit Press and New Riders Press (graphics and design professionals), Que/Sams (consumer and professional imprint) and Prentice Hall Financial Times and Wharton School Publishing (for the business education market).

Pearson’s professional testing business, Pearson VUE, manages major long-term contracts to provide qualification and assessment services through its network of test centres around the world. Key customers include major technology companies, the Graduate Management Admissions Council, NCLEX the Financial Industry Regulatory Authority and the UK’s Driving Standards Agency.

The FT Group

The FT Group provides a broad range of data, analysis and services to an audience of internationally-minded business people and financial institutions. In 2008, the FT Group had sales of £796m, or 16 per cent. of Pearson’s total sales (16 per cent. in 2007), and contributed 26 per cent. of Pearson’s operating profit.

It has two major parts: FT Publishing, a combination of the *Financial Times*, FT.com website and a portfolio of financial magazines and online financial information companies; and Interactive Data, its 62 per cent.-owned financial information company. In recent years, the FT Group has significantly shifted its business towards digital and subscription revenues.

FT Publishing

The *Financial Times* is one of the world’s leading international daily business newspapers, with five editions in the UK, Europe, Middle East and Africa, the US and Asia.

Its main sources of revenue are from sales of the newspaper, advertising and conferences. The *Financial Times* is complemented by FT.com which sells content and advertising online, and which charges subscribers for detailed industry news, comment and analysis, while providing general news and market data to a wider audience. The new FT.com access model was successfully introduced in 2007 and is based on frequency of use and is intended to drive usage and accelerate advertising growth, while providing greater value and services to its premium paying customers.

FT Business publishes specialist information on the retail, personal and institutional finance industries through titles including *Investors Chronicle*, *Money Management*, *Financial Adviser* and *The Banker.*

Mergermarket, its online financial data and intelligence provider, provides early stage proprietary intelligence to financial institutions and corporates. Its key products include *Mergermarket*, *Debtwire*, *dealReporter*, *Wealthmonitor* and *Pharmawire* (which was launched in 2007).

Interactive Data

Interactive Data is a leading provider of financial market data, analytics and related services to financial institutions, active traders and individual investors. The company’s customers use its offerings to support their portfolio management and valuation, research and analysis, trading, sales and marketing, and client service activities. Pearson owns 62 per cent. of Interactive Data; the remaining 38 per cent. is publicly traded on the NYSE.

Les Echos

The sale of Les Echos to LVMH for €240m (£174m) was completed in December 2007.

Joint Ventures and Associates

The FT Group also has a number of associates and joint ventures, including:

- 50 per cent. interest in The Economist Group, publisher of one of the world's leading weekly business and current affairs magazines;

- 50 per cent. interest in FTSE International, a joint venture with the London Stock Exchange, which publishes a wide range of global indices, including the FTSE index;

- 50 per cent. interest in Business Day and Financial Mail, publishers of one of South Africa's leading financial newspapers and magazines; and

- 33 per cent. interest in Vedomosti, a leading Russian business newspaper.

On 27 March 2008, Financial Times International Publishing Ltd sold its 50 per cent. partnership interest in Financial Times Deutschland GmbH & Co KG to Gruner & Jahr AG & Co KG.

The Penguin Group

Penguin is a leading brand in book publishing. It publishes over 4,000 fiction and non-fiction books each year for readers of all ages, and has an extensive range of backlist and frontlist titles including top literary prize winners, classics, reference volumes and children's titles. Penguin ranks in the top three consumer publishers, based on sales in all major English speaking and related markets, including the US, the UK, Australia, Canada, South Africa and India.

Penguin is well known for its Penguin brand, but it also publishes under many other imprints including, Hamish Hamilton, Putnam, Berkley, Dorling Kindersley, Puffin, and Ladybird. In 2008, Penguin had sales of £903m, representing 19 per cent. of Pearson's total sales (21 per cent. in 2007) and contributed 13 per cent. of Pearson's operating profit. Its largest market is the US, which generated around 57 per cent. of Penguin's sales in 2008. The Penguin Group earns around 98 per cent. of its revenues from the sale of hard cover and paperback books. The balance comes from audio books and e-books.

Penguin sells directly to bookshops and through wholesalers. Retail bookshops normally maintain relationships with both publishers and wholesalers and use the channel that best serves the specific requirements of an order. It also sells through online retailers such as Amazon.com, as well as Penguin's own website.

Operating cycles

Pearson determines a normal operating cycle separately for each entity/cash generating unit within the Pearson group with distinct economic characteristics. The "normal operating cycle" for each of Pearson's education businesses is primarily based on the expected period over which the educational programmes and titles will generate cash flows, and also takes account of the time it takes to produce the educational programmes.

Particularly for the North American Education businesses, there are well established cycles operating in the market:

- The School market is primarily driven by an adoption cycle in which major state education boards 'adopt' programmes and provide funding to schools for the purchase of these programmes. There is an established and published adoption cycle with new adoptions taking place on average every five years for a particular subject. Once adopted, a programme will typically sell over the course of the subsequent five years. Pearson renews its pre-publication assets to meet the market adoption cycles. Therefore, the operating cycle naturally follows the market cycle.

- The Higher Education market has a similar pattern, with colleges and professors typically refreshing their courses and selecting revised programmes on a regular basis, often in line with the release of new editions or new technology offerings. Pearson renews its pre-publication assets to meet the typical demand for new editions of, or revisions to, educational programmes. Analysis of historical data shows that the average life cycle of Higher Education content is five years. Again, the operating cycle mirrors the market cycle.

A development phase of typically 12 to 18 months for Higher Education and up to 24 months for School precedes the period during which Pearson receives and delivers against orders for the products it has developed for the programme.

The International Education markets operate in a similar way, although often with less formal 'adoption' processes.

The operating cycles in respect of Professional and the Penguin segment are more specialised in nature as they relate to educational or heavy reference products released into smaller markets (e.g. the financial training, IT and travel sectors). Nevertheless, in these markets, there is still a regular cycle of product renewal, in line with demand which management monitor. Typically, the life cycle is five years for Professional content and four years for Penguin content.

Competition

All of Pearson's businesses operate in highly competitive environments.

Pearson Education competes with other publishers and creators of educational materials and services. These companies include large international companies, such as McGraw-Hill and Houghton Mifflin Harcourt, alongside smaller niche players that specialise in a particular academic discipline or focus on a learning technology. Competition is based on the ability to deliver quality products and services that address the specified curriculum needs and appeal to the school boards, educators and government officials making purchasing decisions.

FT Publishing competes with newspapers and other information sources, such as The Wall Street Journal, by offering timely and expert journalism and market intelligence. It competes for advertisers with other forms of media based on the ability to offer an effective means for advertisers to reach their target audience. Interactive Data competes with Bloomberg, Reuters and Thomson Financial on a global basis for the provision of financial data to the back office of financial institutions. In Europe, Telekurs is also a direct competitor for these services. Smaller, more specialised vendors also compete with Interactive Data in certain market segments and in certain geographic areas.

The Penguin Group competes with other publishers of fiction and non-fiction books. Principal competitors include Random House, HarperCollins, and Hachette Group. Publishers compete by developing a portfolio of books by established authors and by seeking out and promoting talented new writers.

Intellectual property

Pearson's principal intellectual property assets consist of its trademarks and other rights in its brand names, particularly the *Financial Times* and the various imprints of Penguin and Pearson Education, as well as all copyrights for Pearson's content and patents held in the testing business in the name of Pearson NCS. Pearson believes it has taken all appropriate available legal steps to protect its intellectual property in all relevant jurisdictions.

Raw materials

Paper is the principal raw material used by each of Pearson Education, the FT Group and the Penguin Group. Pearson purchases most of its paper through its Global Sourcing department located in the United States. Pearson has not experienced and does not anticipate difficulty in obtaining adequate supplies of paper for its operations, with sourcing available from numerous suppliers. While local prices fluctuate, depending upon local market conditions, Pearson has not experienced extensive volatility in fulfilling paper requirements. In the event of a sharp increase in paper prices, Pearson has a number of alternatives to minimise the impact on its operating margins, including modifying the grades of paper used in production.

Government regulation

The manufacture of certain of Pearson's products in various markets is subject to governmental regulation relating to the discharge of materials into the environment. Pearson's operations are also subject to the risks and uncertainties attendant to doing business in numerous countries. Some of the countries in which it conducts these operations maintain controls on the repatriation of earnings and capital and restrict the means available to it for hedging potential currency fluctuation risks. The operations that are affected by these controls, however, are not material to Pearson. Accordingly, these controls have not significantly affected international operations. Regulatory authorities may have enforcement powers that could have an impact on Pearson. Pearson believes, however, that it has taken and continues to take measures to comply with all applicable laws and governmental regulations in the jurisdictions where it operates so that the risk of these sanctions does not represent a material threat to it.

Licences, patents and contracts

Pearson is not dependent upon any particular licences, patents or new manufacturing processes that are material to its business or profitability. Likewise, it is not materially dependent upon any contracts with suppliers or customers, including contracts of an industrial, commercial or financial nature.

Recent developments

During 2008, Pearson's International Education business announced its intention to increase its stakes in Longman Nigeria from 29 per cent. to 51 per cent. for £9m and Maskew Miller Longman (its South African publishing business) from 50 per cent. to 85 per cent.. Under the terms of the Maskew Miller Longman agreement, Pearson intends to create a new Southern Africa business and in return for the increased stake in Maskew Miller Longman its current joint venture partner will receive £46m in cash and a 15 per cent. interest in Pearson's Heinemann and Edexcel businesses in that region.

In addition, Pearson's International Education business also announced the acquisition of Fronter, a European online learning company based in Oslo, for £16m. The Longman Nigeria acquisition completed in early January 2009 and the Fronter acquisition in February 2009. The Maskew Miller Longman transaction is expected to complete in the second quarter of 2009 following regulatory approval.

Directors of the Guarantor

The Guarantor is managed by a board of directors and a chief executive who reports to the board and manages through a management committee. The board of directors and the chairman of the board of directors are referred to as The Guarantor's "senior management".

The following table sets forth information concerning senior management as of February 2009.

Name	Age	Position
Glen Moreno	65	Chairman
Marjorie Scardino	62	Chief Executive
David Arculus	62	Non-executive Director
David Bell	62	Director for People
Terry Burns	64	Non-executive Director
Patrick Cescau	60	Non-executive Director
Will Ethridge	57	Chief Executive, Pearson Education North America
Rona Fairhead	47	Chairman and Chief Executive, The FT Group
Robin Freestone	50	Chief Financial Officer
Susan Fuhrman	64	Non-executive Director
Ken Hydon	64	Non-executive Director
John Makinson	54	Chairman and Chief Executive, Penguin Group
CK Prahalad	67	Non-executive Director

Glen Moreno was appointed chairman of the Guarantor on 1 October, 2005. He is the senior independent director of Man Group plc and a director of Fidelity International Limited. He was recently appointed acting chairman of UK Financial Investments Limited, the company set up by HM Treasury to manage the government's shareholdings in UK banks.

Marjorie Scardino joined the board and became chief executive in January 1997. She is a member of Pearson's nomination committee. She trained and practised as a lawyer and was chief executive of The Economist Group from 1993 until joining Pearson. She is also vice chairman of Nokia Corporation and a director of several charitable organisations.

David Arculus became a non-executive director in February 2006 and currently serves on the audit and nomination committees and as chairman of the personnel committee. He is a non-executive director of Telefonica SA, and was previously chairman of O2 plc from 2004 until it was acquired by Telefonica at the beginning of 2006. His previous roles include chairman of Severn Trent plc and IPC Group, chief operating officer of United Business Media plc and group managing director of EMAP plc.

David Bell became a director in March 1996. He was appointed Pearson's director for people with responsibility for finding, keeping, rewarding and inspiring employees across the Pearson group. He is chairman of the Financial Times and Sadler's Wells Theatre. He is also chairman of Crisis, a charity for the homeless and The Institute for War and Peace Reporting and the London Transport Museum.

Terry Burns became a non-executive director in May 1999 and the senior independent director in February 2004. He currently serves on the nomination and personnel committees. He was the UK government's chief economic adviser from 1980 until 1991 and Permanent Secretary of HM Treasury from 1991 until 1998. He is chairman of Alliance & Leicester plc and Glas Cymru Limited and is a non-executive director of Banco Santander Central Hispano. He was previously chairman of Marks and Spencer Group plc.

Patrick Cescau became a non-executive director in April 2002. He joined the audit committee in January 2005, and is also a member of the nomination committee. He was previously group chief executive of Unilever and currently serves as a non-executive director of Tesco plc.

Will Ethridge became a director in May 2008 and was appointed chief executive of Pearson's North American education business, spanning School, Higher Education and Professional publishing, assessment, technology and services. He previously held a number of senior positions within Pearson Education. He is chairman of CourseSmart, a publisher's consortium, vice chairman of the Association of American Publishers and a director of Interactive Data.

Rona Fairhead became a director in June 2002, originally as chief financial officer. She was appointed chairman and chief executive of the FT Group in June 2006 and became responsible for Pearson VUE in March 2008. From 1996 until 2001, she worked at ICI plc, where she served as executive vice president, group control and strategy. She is also chairman of Interactive Data, a non-executive director of HSBC Holdings plc and chairs the HSBC audit committee.

Robin Freestone became a director of the Guarantor and was appointed chief financial officer in June 2006, having previously served as deputy chief financial officer since 2004. He was previously group financial controller of Amersham plc (now part of GE). He qualified as a chartered accountant with Touche Ross (now Deloitte). He is also a non-executive director and founder shareholder of eChem Limited.

Susan Fuhrman became a non-executive director in July 2004. She is a member of the audit and nomination committees. She is president of Teachers College at Columbia University, America's oldest and largest graduate school of education having previously been Dean of the Graduate school of Education at the University of Pennsylvania. She is a member of the Board of Trustees of the Carnegie Foundation for the Advancement of Teaching and an officer of the National Academy of Education.

Ken Hydon became a non-executive director in February 2006 and currently serves on the personnel and nomination committees and as chairman of the audit committee. He is a non-executive director of Tesco plc, Reckitt Benckiser plc and Royal Berks NHS Foundation Trust. He was previously finance director of Vodafone Group plc and of subsidiaries of Racal Electronics.

John Makinson became chairman of the Penguin Group in May 2001 and its chief executive officer in June 2002. He served as Pearson's finance director from March 1996 until June 2002. He is also chairman of the Institute of Public Policy Research and a director of The National Theatre and The International Rescue Committee (UK).

Coimbatore Krishnarao Prahalad became a non-executive director in May 2008 and is a distinguished University Professor of corporate strategy and international business at the University of Michigan Business School. He is a director of NCR, Hindustan Unilever Corporation, World Resources Institute and the Indus Entrepreneurs.

The business address for directors of the Guarantor is 80 Strand, London WC2R 0RL.

No director has any potential conflict of interest between their duties to the Guarantor and their private interest and/or other duties.

Organisational structure

The Guarantor is a holding company which conducts its business primarily through subsidiaries and other affiliates throughout the world. Below is a list of its significant subsidiaries as at 31 December , 2008, including name, country of incorporation or residence, proportion of ownership interest and, if different, proportion of voting power held.

Name	Country of incorporation/residence	Percentage interest/ Voting power
Pearson Education		
Pearson Education Inc.	United States (Delaware)	100
Pearson Education Ltd.	England and Wales	100
Edexcel Ltd.	England and Wales	100
NCS Pearson Inc.	United States (Minnesota)	100
FT Group		
The Financial Times Limited	England and Wales	100
Mergermarket Ltd.	England and Wales	100
Interactive Data Corporation	United States (Delaware)	62
The Penguin Group		
Penguin Group (USA) Inc.	United States (Delaware)	100
The Penguin Publishing Co Ltd.	England and Wales	100
Dorling Kindersley Holdings Ltd	England and Wales	100

TAXATION

UNITED KINGDOM TAXATION

The following applies only to persons who are the absolute beneficial owners of Notes and of interest arising on them. It is a summary of the Issuer's understanding of current law and practice in the United Kingdom relating to certain aspects of United Kingdom taxation. Some aspects do not apply to certain classes of person (such as dealers and persons connected or associated with the Issuer) to whom special rules may apply. The United Kingdom tax treatment of prospective Noteholders depends on their individual circumstances and may be subject to change in the future. Prospective Noteholders who may be subject to tax in a jurisdiction other than the United Kingdom or who may be unsure as to their tax position should seek their own professional advice.

A. Interest on the Notes

1. Payment of interest on the Notes

Payments of interest on the Notes may be made without deduction of or withholding on account of United Kingdom income tax provided that the Notes are and continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007 (the "Act"). The London Stock Exchange is a recognised stock exchange. Securities will be treated as listed on the London Stock Exchange if they are included in the Official List (within the meaning of and in accordance with the provisions of Part 6 of the Financial Services and Markets Act 2000) and admitted to trading on the London Stock Exchange. Provided the Notes are and remain so listed, interest on the Notes will be payable without withholding or deduction on account of United Kingdom tax.

Interest on the Notes may also be paid without withholding or deduction on account of United Kingdom tax where interest on the Notes is paid by a company and, at the time the payment is made, the Issuer (and any person by or through whom interest on the Notes is paid) reasonably believes that the person beneficially entitled to that interest is within the charge to United Kingdom corporation tax as regards the payment of interest, provided that HM Revenue & Customs (**HMRC**) has not given a direction that the interest should be paid under deduction of tax (which HMRC may do in circumstances where it has reasonable grounds to believe that no exemption is available in respect of such payment of interest at the time the payment is made).

In other cases, an amount must generally be withheld from payments of interest on the Notes on account of United Kingdom income tax at the basic rate (currently 20 per cent.). However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Noteholder, HMRC can issue a notice to the Issuer to pay interest to the Noteholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

Interest on the Notes constitutes UK source income for tax purposes and, as such, may be subject to income tax by direct assessment even where paid without withholding. However, interest with a UK source received without deduction or withholding on account of UK tax will not be chargeable to UK tax in the hands of a Noteholder who is not resident for tax purposes in the UK unless that Noteholder carries on a trade, profession or vocation in the UK through a UK branch or agency or for holders who are companies through a UK permanent establishment, in connection with which the interest is received or to which the Notes are attributable. There are exemptions for interest received by certain categories of agent (such as some brokers and investment managers).

Noteholders may wish to note that, in certain circumstances, HMRC has power to obtain information (including the name and address of the beneficial owner of the interest) from any person in the United Kingdom who either pays or credits interest to or receives interest for the benefit of a Noteholder, or who either pays amounts payable on the redemption of Notes to or receives such amounts for the benefit of another person, although HMRC published practice indicates that HMRC will not exercise the power referred to above to require this information in respect of such amounts payable on redemption of Notes where such amounts are paid on or before 5 April 2009. Information so obtained may, in certain circumstances, be exchanged by HMRC with the tax authorities of the jurisdiction in which the Noteholder is resident for tax purposes.

2. *EU Savings Directive*

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to or for an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

On 15 September 2008 the European Commission issued a report to the Council of the European Union on the operation of the Directive, which included the Commission's advice on the need for changes to the Directive. On 13 November 2008 the European Commission published a more detailed proposal for amendments to the Directive, which included a number of suggested changes. If any of those proposed changes are made in relation to the Directive, they may amend or broaden the scope of the requirements described above.

B. United Kingdom Corporation Tax Payers

In general, Noteholders which are within the charge to United Kingdom corporation tax will be charged to tax as income on all returns, profits or gains on, and fluctuations in value of, the Notes (whether attributable to currency fluctuations or otherwise) broadly in accordance with their statutory accounting treatment (so long as that treatment accords with generally accepted accounting practice as that expression is understood for United Kingdom tax purposes).

C. Other United Kingdom Tax Payers

1. Accrued income scheme

On a disposal of Notes by a Noteholder, any interest which has accrued since the last interest payment date may be chargeable to tax as income under the “accrued income profits” rules set out in Part 12 of the Act. Generally, persons who are not within the charge to United Kingdom income tax in respect of the Notes will not be subject to these rules.

2. *Deep discount rules*

If the Notes constitute "deeply discounted securities" for the purposes of Chapter 8 of Part 4 Income Tax (Trading and Other Income) Act 2005, the rules relating to accrued income profits described above will not apply and any gain realised on redemption or transfer of the Notes by a Noteholder who is within the charge to United Kingdom income tax in respect of the Notes will generally be taxable as income but such Noteholder will not be able to claim relief from income tax in respect of costs incurred on the acquisition, transfer or redemption, or losses incurred on the transfer or redemption, of the Notes.

D. Stamp Duty and Stamp Duty Reserve Tax ("SDRT")

No United Kingdom stamp duty or SDRT is payable on the issue of the Notes into a clearance service or on a transfer of interests in the Notes in a clearance service or on a transfer of the Notes by delivery.

SUBSCRIPTION AND SALE

Deutsche Bank AG, London Branch and HSBC Bank plc (the **Managers**) have, pursuant to a Subscription Agreement (the **Subscription Agreement**) dated 24 March 2009, jointly and severally agreed to subscribe or procure subscribers for the Notes at the issue price of 99.015 per cent. of the principal amount of Notes, less a combined management and underwriting commission of 0.390 per cent. of the principal amount of the Notes. The Issuer will also reimburse the Managers in respect of certain of their expenses, and has agreed to indemnify the Managers against certain liabilities, incurred in connection with the issue of the Notes. The Subscription Agreement may be terminated in certain circumstances prior to payment of the Issuer.

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

Each Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the later of the commencement of the offering and the Closing Date within the United States or to, or for the account or benefit of, U.S. persons and that it will have sent to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

United Kingdom

Each Manager has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

General

No action has been taken by the Issuer, the Guarantor or any of the Managers that would, or is intended to, permit a public offer of the Notes in any country or jurisdiction where any such action for that purpose is required. Accordingly, each Manager has undertaken that it will not, directly or indirectly, offer or sell any Notes or distribute or publish any offering circular, prospectus, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of Notes by it will be made on the same terms.

GENERAL INFORMATION

Authorisation

1. The issue of the Notes will be duly authorised by a resolution of the Board of Directors of the Issuer dated 24 March 2009 and the giving of the Guarantee was duly authorised by a resolution of the Board of Directors of the Guarantor dated 12 December 2008 and by a resolution of a Standing Committee of the Guarantor dated 24 March 2009.

Listing

2. It is expected that official listing will be granted on or about 26 March 2009 subject only to the issue of the Temporary Global Note. Application has been made to the UK Listing Authority for the Notes to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the London Stock Exchange's regulated market. The expenses in relation to admission to trading are expected to be £2,725.00.

Clearing Systems

3. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN for this issue is XS0418558788 and the Common Code is 041855878.

   The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brusssels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

No significant change

4. There has been no significant change in the financial or trading position of Pearson since 31 December 2008 and there has been no material adverse change in the financial position or prospects of Pearson since 31 December 2008.

Litigation

5. Neither the Issuer nor the Guarantor nor any other member of Pearson is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer or the Guarantor are aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of the Issuer, Guarantor or Pearson.

Auditors

6. The auditors of the Issuer are PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH, who have audited the Issuer's accounts, without qualification, in accordance with UK GAAP for each of the two financial years ended on 2007 and 2008. The auditors of the Issuer have no material interest in the Issuer.

   The auditors of the Guarantor are PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH, who have audited the Guarantor's accounts, without qualification, in accordance with IFRS for each of the two financial years ended on 2007 and 2008. The auditors of the Guarantor have no material interest in the Guarantor.

U.S. tax

7. The Notes and Coupons will contain the following legend: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code."

Documents Available

8. For the period of 12 months following the date of this Offering Circular, copies of the following documents will be available for inspection from the registered office of the Issuer and from the specified offices of the Paying Agents for the time being in London:

(a) the constitutional documents of the Issuer and the constitutional documents of the Guarantor;

(b) the audited financial statements of the Issuer in respect of the financial years ended 2007 and 2008 and the consolidated financial statements of the Guarantor in respect of the financial years ended 2007 and 2008, in each case together with the audit reports in connection therewith. The Issuer and the Guarantor each currently prepares audited consolidated and non-consolidated accounts on an annual basis;

(c) the most recently published audited annual financial statements of the Issuer and the Guarantor and the most recently published unaudited interim financial statements (if any) of the Issuer and the Guarantor. The Guarantor currently prepares unaudited consolidated interim accounts on a semi-annual basis, the Issuer does not prepare interim accounts; and

(d) the Trust Deed and the Agency Agreement.

Managers transacting with the Issuer and the Guarantor

9. Certain of the Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Issuer ,the Guarantor and their affiliates in the ordinary course of business.

THE ISSUER

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THE GUARANTOR

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