

# Notes to the Consolidated Financial Statements

## Significant Accounting Policies<sup>note 1</sup>

### General

#### Reporting entity

Wolters Kluwer nv ('the Company') with its subsidiaries (together 'the Group') is a market-leading global information services company. Professionals in the areas of legal, business, tax, accounting, finance, audit, risk, compliance, and healthcare rely on Wolters Kluwer's leading information tools and software solutions to manage their business efficiently, deliver results to their clients, and succeed in an ever more dynamic world.

The Group maintains operations across Europe, North America, Asia Pacific and Latin America. The Company is headquartered in Alphen aan den Rijn, the Netherlands. The Company's ordinary shares are quoted on the Euronext Amsterdam (WKL) and are included in the AEX and Euronext 100 indices.

The consolidated financial statements of the Company at and for the year ended December 31, 2011, comprise the Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities') and the Group's interest in associates and jointly controlled entities. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied.

A list of participations has been filed with the Chamber of Commerce in the Hague, the Netherlands and is available from the Company upon request.

The consolidated financial statements are presented in euro, which is the Company's functional and presentation currency. Unless otherwise indicated the financial information in these financial statements is in millions of euro and has been rounded to the nearest million.

In conformity with article 402, Book 2 of the Dutch Civil Code, a condensed statement of income is included in the separate financial statements of Wolters Kluwer nv.

#### Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations, including International Accounting Standards (IAS) prevailing per December 31, 2011, as adopted by the International Accounting Standards Board (IASB) and as endorsed for use in the European Union by the European Commission. If non-IFRS terminology is used in these financial statements, reference is made to [Glossary](#).

These financial statements were authorized for issue by the Executive Board and Supervisory Board on February 21, 2012.

#### Basis of preparation

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect the application of policies and reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of income and expense. The estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Judgments made by management in the application of IFRS that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in [note 32 of the Consolidated Financial Statements](#).

### Basis of measurement

The consolidated financial statements have been prepared under historical cost except for the following material items in the statement of financial position:

- those financial assets and those financial liabilities (including derivative financial instruments) that are recognized at their fair value; and
- the net defined employee benefit asset/liability is recognized as the net total of the plan assets (at fair value), plus unrecognized past service cost and unrecognized actuarial losses, less unrecognized actuarial gains and the present value of the defined benefit obligation.

### Effect of new accounting standards

There were no relevant new accounting standards, amendments and interpretations that became effective for the year ended December 31, 2011 that have a material impact on the Group's results and equity. The following standards, interpretations and amendments have been issued with effective date of January 1, 2011:

- IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments';
- Amendment to IFRIC 14 'Prepayments of a Minimum Funding Requirement';
- Amendment to IAS 24 'Related Party Disclosures';
- Amendment to IAS 32 'Financial Instruments: Presentation'; and
- Improvements to IFRSs 2010.

### Effect of forthcoming accounting standards

A number of new standards, amendments, and interpretations are not yet effective for the year ended December 31, 2011 and, if applicable, have not been adopted earlier in preparing these consolidated financial statements. The following new standards, amendments, and interpretations have been considered:

- Amendments to IAS 12 'Income taxes' – deferred tax: recovery of underlying assets;
- IFRS 9 'Financial Liabilities: Recognition and measurement';
- IFRS 10 'Consolidated Financial Statements';
- IFRS 11 'Joint Arrangements';
- IFRS 12 'Disclosures of Involvement with Other Entities';
- IFRS 13 'Fair Value Measurements';
- IAS 19 'Employee Benefits' (amended 2011);
- IAS 27 (2011) 'Separate Financial Statements', which supersedes IAS 27 (2008); and
- IAS 28 (2011) 'Investments in Associates and Joint Ventures' which supersedes IAS 28 (2008).

These standards are expected to become effective as at January 1, 2013, if EU endorsed.

IFRS 11 'Joint Arrangements' no longer permits the proportionate consolidation of joint ventures. Currently the Group proportionate consolidates its joint ventures representing €6 million in revenues and €2 million in operating profit. Under IFRS 11 'Joint Arrangements', joint ventures will be treated similar to equity-accounted investees.

IAS 19 'Employee benefits' (amended 2011) prohibits the deferred recognition of actuarial gains and losses on employee benefit plans by excluding the so-called 'corridor method' and the deferral effect of unvested past service costs amortizing over the remaining average vesting period. As a consequence the actual net defined benefit liability or asset will be recognized in the balance sheet. This change will have limited impact on the Group results as the Group already applies the proposed immediate recognition of actuarial gains and losses in other comprehensive income since 2005. In addition, the amended standard requires calculation of the net interest costs on the net defined benefit liability or asset using the discount rate measuring the defined benefit obligation. As a consequence the expected return on assets will no longer be recognized in the income statement. The amended standard will result in a reduction of profit if the discount rate applied to the defined benefit obligation is a lower rate than the rate used to determine the expected return on plan assets.

Based on the actuarial assumptions prevailing at year-end 2011 and the reported plan assets as at December 31, 2011, the new standard will result in higher net periodic pension costs affecting the profit after tax by approximately €3 million.

The other standards effective from January 1, 2013 are not expected to have a significant impact on the results and equity of the Group.

## Discontinued operations

IFRS 5 'Non-current assets held for sale and discontinued operations' defines a component of an entity as a part of the entity that comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the entity. A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, represents a separate major line of business, and is part of a single coordinated overall plan to dispose of a separate major line of business.

Any gain or loss from disposal of discontinued operations, together with the results of these operations until the date of disposal is reported separately as discontinued operations. The financial information of discontinued operations is excluded from the respective captions in the consolidated statements of income and cash flows and the related notes and is reported separately.

When an operation is classified as discontinued, the comparative statements of income and cash flows are re-presented as if the operation had been discontinued from the start of the comparative period.

#### **Accounting for business combinations**

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

#### **Acquisitions on or after January 1, 2010**

For acquisitions on or after January 1, 2010, the Group measures goodwill at the acquisition date as: The fair value of the consideration transferred, plus the recognized amount of any non-controlling interests in the acquiree, plus, if the business is achieved in stages, the fair value of the existing equity interest in the acquiree, and less the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed. When the excess is negative, a bargain purchase is recognized immediately in the statement of income.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in the statement of income.

Cost related to acquisitions, other than those associated with the cost of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable (like earn-out arrangements) is recognized at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not re-measured at settlement and is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognized in the statement of income.

#### **Acquisitions between January 1, 2004 and January 1, 2010**

For acquisitions between January 1, 2004 and January 1, 2010, goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary, associate, or joint venture at the date of acquisition. Goodwill represents the consideration made by the Group in anticipation of the future economic benefits from assets that are not capable of being individually identified and is separately recognized. These future economic benefits relate to, for example, opportunities with regard to cross-selling or cost efficiencies, such as sharing of infrastructure.

Costs related to acquisitions, other than those associated with the issue of debt or equity securities that the Group incurred in connection with business combinations were capitalized as part of the costs of acquisition.

#### **Acquisitions prior to January 1, 2004**

As part of transition to IFRSs, the Group elected to restate only those business combinations that occurred after January 1, 2004. For acquisitions prior to January 1, 2004, goodwill represents the amount recognized under the Group's previous accounting framework, Dutch GAAP and was directly recognized in equity up to 1996. Between January 1, 1997 and December 31, 2003, goodwill and publishing rights were recognized in the balance sheet and amortized over the useful life.

#### **Accounting for acquisitions of non-controlling interests**

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognized as a result of those transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary.

#### **Segment reporting**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses. All operating segments are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

Operating segments are reported in a manner consistent with the internal financial reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Board.

Segment results reported to the Executive Board include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets and liabilities, corporate office expenses and income tax assets and liabilities.

Operating segments that do not meet the quantitative thresholds and that have similar economic characteristics have been aggregated into a single operating segment.

### **Comparatives**

Where necessary, certain reclassifications have been made to the prior year financial statements (or comparatives) to conform to the current year presentation.

## **Basis of consolidation**

### **Subsidiaries**

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Subsidiaries are de-consolidated from the date that control ceases.

Losses applicable to the non-controlling interest in a subsidiary are allocated to the non-controlling interest even if this causes the non-controlling interest to have a deficit balance.

### **Loss of control**

On loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in the statement of income. If the Group retains any equity interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as available for sale financial asset depending on the level of influence retained.

### **Accounting for equity-accounted investees**

Equity-accounted investees comprise associates. Associates are those entities in which the Group has significant influence but not control over the financial and operating policies, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost. Associates are recognized from the date on which the Group has significant influence, and

recognition ceases from the date the Group has no significant influence over an associate. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognized in the statement of income, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

### **Joint ventures**

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement. Joint ventures are recognized using proportionate consolidation from the date that joint control commences until the date that joint control ceases.

### **Transactions eliminated on consolidation**

Intra-group balances and transactions, and income and expenses, and any unrealized gains and losses arising from transactions between Group companies are eliminated in preparing the consolidated financial statements. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Unrealized gains arising from transactions between the Group and its equity-accounted investees and joint ventures are eliminated to the extent of the Group's interest in the equity-accounted investees and joint ventures.

### **Foreign currency**

#### ***Functional and presentation currency***

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in euros, which is the Group's presentation currency.

#### ***Foreign currency transactions and balances***

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Non-monetary assets and liabilities in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the transaction date. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at foreign exchange rates prevailing at the dates the fair value was determined.

#### **Financial statements of Group companies**

The assets and liabilities of Group companies, including goodwill and fair value adjustments arising from consolidation, are translated to euros at foreign exchange rates prevailing at the balance sheet date. Income and expenses of Group companies are translated to euros at exchange rates at the dates of the transactions. All resulting exchange differences are recognized in the currency translation reserve as a separate component of equity.

When a foreign Group company is disposed of, exchange differences that were recorded in equity prior to the sale are recycled through the statement of income as part of the gain or loss on disposal.

#### **Net investment in foreign operations**

Net investment in foreign operations includes equity financing and long-term intercompany loans for which settlement is neither planned nor likely to occur in the foreseeable future. Exchange rate differences arising from the translation of the net investment in foreign operations, and of related hedges, are taken to the currency translation reserve in shareholders' equity.

Main currency exchange rates to the euro	2011	2010
U.S. dollar (at December 31)	1.29	1.34
U.S. dollar (average)	1.39	1.33

## Principles for the determination of results

#### **Revenues**

Revenues represent the revenues billed to third parties net of value-added tax and discounts. Shipping and handling fees billed to customers are included in revenues. Subscription income received or receivable in advance of the delivery of services or publications is included in deferred income. If the Group acts as an agent, whereby the Group sells goods or services on behalf of a principal, the Group recognizes as revenues the amount of the commission.

#### **Goods**

Revenue from the sale of goods is recognized upon shipment and transfer of the significant risks and rewards of ownership to the customer, provided that the ultimate collectability and final acceptance by the customer is reasonably assured. Revenue from the sale of goods is recognized net of estimated returns for which the Group has recognized a provision based on previous experience and other relevant factors.

If returns on a product category exceed a threshold it is assumed that the transfer of the ownership of the product has only occurred upon receipt of payment from the customer.

#### **Services**

Revenue from the sale of services is recognized on a straight-line basis over the specified period, unless there is evidence that some other method better represents the stage of completion of the service at the balance sheet date.

#### **Combination of goods and services**

Revenues of products that consist of a combination of goods and services are recognized based on the fair value and the recognition policy of the individual components.

#### **Cost of sales**

Cost of sales comprises the directly attributable cost of goods and services sold and delivered. These costs include such items as the cost of raw materials, subcontracted work, other external expenses, salaries, wages, and social charges for personnel. Royalties owed to professional societies relating to contract publishing are included in cost of sales.

#### **General and administrative operating expenses**

General and administrative operating expenses include costs that are neither directly attributable to cost of sales nor to sales and marketing activities. This includes costs such as product development, ICT, general overhead, and acquisition related costs.

#### **Share-based payments**

The Group's Long-Term Incentive Plan (LTIP) qualifies as an equity-settled share-based payments transaction. The fair value of shares awarded is recognized as an expense with a corresponding increase in equity. The fair value is measured at the grant date and spread over the period during which the employees become unconditionally entitled to the shares.

The fair value of the shares based on the Total Shareholder Return (TSR) performance condition, a market condition under IFRS 2, is measured using a Monte Carlo simulation model, taking into account the terms and conditions upon which the shares were awarded. The amount recognized as an expense is adjusted to reflect the actual forfeitures due to participants' resignation before the vesting date.

The fair value of the shares based on the EPS condition, a non-market performance condition under IFRS 2, is equal to the opening share price of the Wolters Kluwer shares in the year at the grant date, adjusted by the present value of the future dividend payments during the three years' performance period. The amount recognized as an expense in a year is adjusted to reflect the number of shares awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market conditions at the vesting date.

#### **Finance income and costs**

Finance income and costs comprise interest payable on borrowing and interest receivable calculated using the effective interest rate method, interest receivable on funds invested, foreign exchange gains and losses, and gains and losses on hedging instruments that are recognized in profit or loss.

Finance income and costs include the subsequent fair value changes on contingent considerations classified as debt and recognized at acquisition date.

## Principles of valuation and presentation of assets and liabilities

### **Intangible assets**

#### **Goodwill**

Goodwill recognized for acquisitions represents the consideration made by the Group in anticipation of the future economic benefits from assets that are not capable of being individually identified and separately recognized. These future economic benefits relate to, for example, opportunities with regard to cross-selling or cost efficiencies, such as sharing of infrastructure.

Goodwill is measured as the excess of the fair value of the consideration transferred, plus the recognized amount of any non-controlling interests in the acquiree, and less the net recognized amount (generally recognized at fair value) of the identifiable assets acquired and liabilities assumed. When the excess is negative, a bargain purchase is recognized immediately in the statement of income. If the business is achieved in stages, the fair value of the existing equity interest in the acquiree is also taken into account.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is carried at cost less any accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity that is sold.

Goodwill acquired in a business combination is not amortized. Instead, the goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

#### **Publishing rights**

The Group recognizes intangible assets acquired through business combinations (publishing rights) as well as other intangible assets. Publishing rights acquired through business combinations consist of:

- Customer relationships: subscriber accounts, other customer relationships;
- Technology: databases, software, product technology;
- Trademarks and titles: trademarks, imprints, product titles, copyrights;
- Favorable purchase agreements; and
- Other: license agreements, non-compete covenants.

Favorable purchase agreements are those purchasing agreements of the acquiree that are priced at a level that is considered below fair market value at the time of the acquisition. The amortization expenses therefore represent the difference between cost at fair market value and the cost per the contract.

The fair value of the intangible assets is computed at the time of the acquisition applying one of the following methods:

- Relief from royalty approach: this approach assumes that if the publishing right was not owned, it would be acquired through a royalty agreement. The value of actually owning the asset equals the benefits from not having to pay royalty fees;
- Multi-period excess earnings method: under this approach, cash flows associated with the specific publishing right are determined. Contributory charges of other assets that are being used to generate the cash flows are deducted from these cash flows. The net cash flows are discounted to arrive at the value of the asset; or
- Cost method: the cost method reflects the accumulated cost that would currently be required to replace the asset.

Publishing rights are stated at cost less accumulated amortization and any impairment losses and are amortized over their estimated useful economic life, generally applying the straight-line method. The useful life of the publishing rights is deemed finite, reflecting management's assessment of the life of the assets, usually supported by outside valuation experts, and taking into account the impact of technological change and changes in the marketplace. If, and to the extent, that publishing rights are considered to be impaired in value, this is immediately charged to the statement of income as impairment.

The estimated useful life for publishing rights is 5 to 20 years.

#### ***Other intangible assets***

Other intangible assets mainly relate to computer software that is valued at cost less accumulated amortization and any impairment losses. Capitalized software is amortized using the straight-line method over the economic life of the software. If, and to the extent that, other intangible assets are considered to be impaired in value, this is immediately charged to the statement of income as impairment.

No intangible asset arising from research or the research phase of an internal project is recognized. Expenditure on research or the research phase of an internal project is recognized as an expense when it is incurred. An intangible asset arising from development or the development phase of an internal project is recognized if, and only if, the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale and comply with the following other requirements: the intention to complete the development project; the ability to sell or use the product; demonstration of how the product will yield probable future economic benefits; the availability of adequate technical, financial, and other resources to complete the project; and the ability to reliably measure the expenditure attributable to the project.

Subsequent expenditure on capitalized intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

The estimated useful life for other intangible assets is 3 to 10 years.

#### **Property, plant, and equipment**

Property, plant, and equipment, consisting of land and buildings, and other assets such as machinery and equipment, office equipment and vehicles, is valued at cost less accumulated depreciation and any impairment losses. Depreciation is charged to the statement of income on a straight-line basis over the estimated useful life of each part of an item of property, plant, and equipment. Land is not depreciated.

The estimated useful life for buildings is 20 to 30 years, and for other assets 3 to 10 years.

#### **Impairment**

The carrying amounts of the Group's non-current assets other than deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount is estimated. Irrespective of whether there is any indication of impairment, the Group also: (1) tests goodwill and publishing rights acquired in a business combination for impairment annually; and (2) tests an intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount.

An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of income immediately. The recoverable amount of an asset or cash-generating unit is the greater of its fair value less cost to sell and its value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss for a cash generating unit shall be allocated in the following order:

- First to reduce the carrying amount of any goodwill allocated to the cash-generating unit; and
- Then to the other assets of the cash-generating unit pro rata on the basis of the carrying amount of each asset in the cash-generating unit.

The Group assesses at each reporting date whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the Group shall estimate the recoverable amount of that asset. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

#### **Leases**

Lease payments under an operating lease are recognized as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the Group's benefit.

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Finance leases are initially recognized at the lower of fair value or the present value of the minimum lease payments, each determined at the inception of the lease. Subsequently, a finance lease gives rise to depreciation expense for depreciable assets and any impairment losses, as well as finance costs for each accounting period. The depreciation policy for these depreciable leased assets is consistent with that for depreciable assets that are owned.

The minimum lease payments made under finance leases are apportioned between the finance expenses and the reduction of the outstanding finance lease liability.

#### **Financial assets**

Financial assets include investments, loans and receivables, and derivative financial instruments. Financial assets are recorded initially at fair value. Subsequent measurement depends on the designation of the financial assets.

#### **Investments**

All equity investments that are not subsidiaries or equity-accounted investees (joint ventures and/or associates) are classified as investments. Investment available-for-sale is valued at their fair value. When the fair value cannot be reliably determined, the investment is carried at cost. A gain or loss arising from a change in the fair value of the investment available-for-sale shall be recognized directly in equity, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognized, at which time the cumulative gain or loss previously recognized in equity shall be recognized in profit or loss. If the investments are valued at cost, income from investments is based on the dividend received from the investments.

#### **Loans and receivables**

Loans to and receivables from third parties are measured at amortized cost. Grants and subsidies are recognized at fair value.

The Group considers evidence of impairment of loans and receivables at both a specific and collective level. All individually significant receivables are assessed for specific impairment. All individually significant loans and receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested historical trends. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. When an event occurring after the impairment was recognized causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

**Derivative financial instruments**

Derivative financial instruments are recognized at fair value in the balance sheet. The fair value of derivative financial instruments is classified as a non-current asset or long-term debt if the remaining maturity of the derivative financial instrument is more than 12 months and as a current asset or liability if the remaining maturity of the derivative financial instrument is less than 12 months after the balance sheet date.

**Non-current assets held for sale**

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of the disposal group, are re-measured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group is first allocated to goodwill, and then generally to the remaining assets and liabilities on a pro rata basis. Impairment losses on initial classification as held for sale and subsequent gains and losses on re-measurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss. Intangible assets and property, plant and equipment once classified as held for sale are not amortized or depreciated.

**Derivative financial instruments and hedging activities**

Derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and if so, the nature of the item being hedged. The Group designates certain derivatives as either: (1) hedges of the fair value of recognized assets or liabilities or firm commitments (fair value hedge); (2) hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge); or (3) hedges of a net investment in a foreign operation (net investment hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. The ineffective part is recognized immediately in the statement of income. If a hedging relationship is terminated and the

derivative financial instrument is not sold, future changes in its fair value are recognized in the statement of income.

**Fair value hedge**

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statement of income, together with any changes in the fair value of the hedged asset, liability, or unrecognized firm commitment that are attributable to the hedged risk. The gain or loss relating to the ineffective part of the hedging instrument is also recognized in the statement of income within finance income or costs. Changes in the fair value of the risk being hedged of the hedged item are also recognized in the statement of income within finance income or costs. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortized to profit or loss over the original hedge period.

**Cash flow hedge**

The effective part of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognized in equity. The gain or loss relating to the ineffective part is recognized in the statement of income within finance income or costs. Amounts accumulated in equity are reclassified to the statement of income in the same periods the hedged item affects profit or loss. The gain or loss relating to the effective part of derivative financial instruments is recognized in the statement of income within the line where the result from the hedged transaction is recognized.

When a hedging instrument matures or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the hedged transaction is ultimately recognized in the statement of income. When a hedged transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is transferred to the statement of income.

**Net investment hedge**

Fair value changes of derivative financial instruments that are used to hedge the net investment in foreign operations, which are determined to be an effective hedge, are recognized directly in shareholders' equity in the translation reserve. The ineffective part is recognized in the statement of income within finance income or costs. Gains and losses accumulated in equity are included in the statement of income when the foreign operation is disposed of.

**Derivatives that do not qualify for hedge accounting**

Certain derivatives do not qualify for hedge accounting. Changes in the fair value of any derivative financial instruments that do not qualify for hedge accounting are recognized in the statement of income within finance income or costs.

**Inventories**

Inventories are valued at the lower of cost and net realizable value. The cost of inventories comprises all cost of purchase and other cost incurred in bringing the inventories to their present location and condition. Cost is determined using the first-in-first-out principle. The cost price of internally produced goods comprises the manufacturing and publishing costs. Trade goods purchased from third parties are valued at the purchase price.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to complete the sale.

**Trade and other receivables**

Trade and other receivables are initially carried at their fair value and subsequently measured at cost less any impairment.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts are shown within Borrowings and bank overdrafts in current liabilities.

**Deferred income**

Deferred income represents the part of the amount invoiced to customers that has not yet met the criteria for revenue recognition and thus still has to be earned as revenues by means of the delivery of goods and services in the future. Deferred income is recognized at its nominal value.

**Trade and other payables**

Trade and other payables are stated at cost.

**Interest-bearing debt**

Financial liabilities, such as bond loans and other loans from credit institutions are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing debt is stated at amortized cost with any difference between cost and redemption value being recognized in the statement of income over the period of the borrowings on an effective interest basis.

**Taxation**

Income tax on the result for the year comprises current and deferred tax. Income tax is recognized in the statement of income except to the extent that it relates to business combinations and/or items directly recognized in equity or other comprehensive income.

Current tax is the expected tax payable or tax receivable on the taxable income for the year, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date, and any adjustment to tax payable or tax receivable in respect of previous years.

The Group recognizes deferred tax liabilities for all taxable temporary differences between the carrying amounts of assets or liabilities in the balance sheet for financial reporting purposes and its tax base for taxation purposes. Deferred tax liabilities are not recognized for temporary differences arising on:

- the initial recognition of goodwill,
- investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future, or
- the initial recognition of an asset or liability in a transaction, which is not a business combination and that at the time of the transaction, affects neither accounting profit nor taxable profit.

A deferred tax asset is recognized for deductible temporary differences and for the carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which these can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

As of January 1, 2010, tax losses from previous acquisitions and recognized subsequent to the implementation of IFRS 3 (Revised) 'Business Combinations' are recognized through the statement of income instead of as an adjustment to goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. The effect of changes in tax rates on the deferred taxation is taken to the statement of income if, and to the extent that, this provision was originally formed as a charge to the statement of income.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

In determining the amount of current and deferred tax the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. The assessment relies on estimates and assumptions and may involve series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities. Such changes to tax liabilities will impact the tax expenses in the statement of income in the period that such a determination is made.

#### **Shareholders' equity**

When share capital recognized as equity is repurchased (treasury shares), the amount of the consideration paid, including directly attributable costs, is recognized as a change in equity. Dividends are recognized as a liability upon being declared.

#### **Non-controlling interests**

Non-controlling interests are the portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the Group. Losses applicable to the non-controlling interest in a subsidiary are allocated to the non-controlling interest even if this causes the non-controlling interest to have a debit balance.

#### **Employee benefits**

The Group has arranged pension schemes in various countries for most of its employees in accordance with the legal requirements, customs, and the local situation of the countries involved. These pension schemes are partly managed by the Group itself and partly entrusted to external entities, such as industry pension funds, company pension funds, and insurance companies. In addition, the Group also provides certain employees with other benefits upon retirement. These benefits include contributions towards medical health plans in the United States, where the employer refunds part of the insurance premium for retirees, or, in the case of uninsured schemes, bears the medical expenses while deducting the participants' contributions.

#### **Defined contribution plans**

Obligations for contributions to defined contribution plans is recognized as an employee benefit expense in the statement of income in the period during which services are rendered by employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or reduction in future payment is available.

#### **Defined benefit plans**

The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value and the fair value of any plan assets and any unrecognized past service cost are deducted. The discount rate is the yield rate at the balance sheet date on high-quality corporate bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed annually by a qualified actuary using the projected unit credit method.

When the calculation results in a benefit to the Group, the recognized asset is limited to the net total of any unrecognized past service cost and the present value of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realizable during the life of the plan, or on settlement of the plan liabilities. When the benefits of a plan are improved, the portion of the increased benefit related to past service by employees is recognized in the statement of income on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in the statement of income.

Past-service cost is recognized immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service cost is amortized on a straight-line basis over the vesting period.

The Group recognizes all actuarial gains and losses arising from defined benefit plans immediately in the period in which they occur in other comprehensive income. All expenses related to defined benefit plans are presented in the statement of income.

The Group recognizes gains or losses on curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss comprises any resulting change in the present value of the defined benefit obligations, any change in the fair value of the plan assets, and any past service cost that had not previously been recognized. A curtailment occurs when the Group is demonstrably committed to make a material reduction in the number of employees covered by a plan either as a result of a disposal or restructuring or when the Group amends the terms of a defined benefit plan such that a material element of future service by current employees will no longer qualify for benefits, or will qualify only for reduced benefits.

#### **Long-term service benefits**

The Group's net obligation in respect of long-term service benefits, such as jubilee benefits, is the amount of future benefits that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method and is discounted to its present value, and the fair value of any related assets is deducted.

The discount rate is the yield rate at the balance sheet date on high-quality corporate bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed annually by a qualified actuary using the projected unit credit method.

The Group recognizes all actuarial gains and losses arising from defined benefit plans immediately in the period in which they occur in other comprehensive income. All expenses related to defined benefit plans are presented in the statement of income.

#### **Termination benefits**

Termination benefits are recognized as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as result of an offer made to encourage voluntary redundancy.

#### **Short-term benefits**

Short-term employee benefits obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under the short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

#### **Provisions**

A provision is recognized when: (1) the Group has a present legal or constructive obligation as a result of a past event; (2) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (3) the amount of the obligation can be reliably estimated.

#### **Restructuring**

The provision for restructuring relates to provisions for integration of activities, including acquisitions, and other substantial changes of the organizational structure and onerous contracts. A provision for restructuring is recognized only when the aforementioned general recognition criteria are met.

A constructive obligation to restructure arises only when the Group has a detailed formal plan for the restructuring and has raised a valid expectation to those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

#### **Onerous contracts**

A provision for onerous contracts is recognized when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected costs of terminating the contract and the expected net cost of continuing with the contract.

The short-term commitments relating to expected spending due within one year are presented under other current liabilities.

## Principles underlying the cash flow statement

#### **Cash flows from operating activities**

Cash flows from operating activities are calculated by the indirect method, by adjusting the consolidated operating income for items and expenses that are not cash flows (such as amortization, depreciation, additions to and/or releases of restructuring provisions, and the costs of the equity settled share-based payments), and for autonomous movements in consolidated working capital (excluding impact from acquisitions and foreign currency differences). Cash payments to employees and suppliers are all recognized as cash flow from operating activities. Cash flows from operating activities also include the paid financing costs of operating activities, income taxes paid on all activities, acquisition and divestment related costs, and spending on restructuring provisions.

**Cash flows from investing activities**

Cash flows from investing activities are those arising from net capital expenditure, from the acquisition and sale of subsidiaries and business activities. Net acquisition spending excludes acquisition related costs which are included in cash flows from operating activities. Cash and cash equivalents available at the time of acquisition or sale are deducted from the related payments or proceeds.

Net capital expenditure is the balance of purchases of property, plant, and equipment less book value of disposals and expenditure on other intangible assets less book value of disposals.

Dividends received relate to dividend received from equity-accounted investees and other investments.

Cash receipts and payments from derivative financial instruments are classified in the same manner as the cash flows of the hedged items. The Group has primarily used derivatives for the purpose of hedging its net investments in the United States. As a result, cash receipts from settlement from derivatives are classified under cash flows from investing activities.

**Cash flows from financing activities**

The cash flows from financing activities comprise the cash receipts and payments from issued and repurchased shares, dividend, and debt instruments. Cash flows from short-term financing are also included. Movements in share capital due to stock dividend are not classified as cash flows.

Dividends paid relate to dividends paid to the equity holders of the Company and the equity holders of non-controlling interests.

**Cash flow from discontinued operations**

The cash flows from discontinued operations comprise the cash receipts and payments from discontinued operations, presented as operating activities, investing activities and financing activities.

**Earnings per share**

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit and loss attributable to ordinary shareholders of the Company, by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held ('treasury shares'). Diluted earnings per share is determined by adjusting the profit and loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares, for the effects of all dilutive potential ordinary shares which comprise share options and LTIP-shares granted.

## Benchmark Figures note 2

Benchmark figures refer to 'ordinary figures' which means that figures are adjusted for exceptional items and, where applicable, amortization and impairment of goodwill and publishing rights. 'Ordinary' figures are non-IFRS compliant financial figures, but are internally regarded as key performance indicators to measure the underlying

performance of the business from continuing operations. These figures are presented as additional information and do not replace the information in the statements of income and cash flows. All figures are from continuing operations, unless stated otherwise.

Benchmark figures	2011	2010	Change in actual currencies (%)	Change in constant currencies (%)
Revenues	3,354	3,308	1	4
Ordinary EBITA	728	716	2	4
Ordinary EBITA margin (%)	21.7	21.6		
Ordinary net income	444	436	2	3
Ordinary free cash flow	443	446	(1)	1
Cash conversion ratio (CAR) (%)	98	96		
Return on invested capital (ROIC) (%)	8.9	8.9		
Net debt <small>note 23</small>	2,168	2,035	7	
Net-debt-to-EBITDA (ratio)	3.1	2.7		
Net-debt-to-EBITDA, excluding Springboard costs (ratio)	2.7	2.5		
Net interest coverage (ratio)	6.2	5.6		
Diluted ordinary EPS (€)	1.47	1.45	2	
Diluted ordinary EPS in constant currencies (€)	1.51	1.48		3
Diluted ordinary free cash flow per share (€)	1.47	1.49	(1)	1

## Reconciliation of benchmark figures

Reconciliation between operating profit and ordinary EBITA	2011	2010
Operating profit	436	498
Amortization of publishing rights and impairments	161	147
<b>EBITA</b>	<b>597</b>	<b>645</b>
Non-benchmark costs in operating profit	131	71
<b>Ordinary EBITA</b>	<b>728</b>	<b>716</b>

Return on invested capital (ROIC)	2011	2010
Ordinary EBITA	728	716
Allocated tax	(195)	(183)
<b>Net operating profit after allocated tax (NOPAT)</b>	<b>533</b>	<b>533</b>
Average invested capital	6,019	6,002
<b>ROIC (NOPAT/Average invested capital) (%)</b>	<b>8.9</b>	<b>8.9</b>

<b>Reconciliation between profit for the year and ordinary net income</b>	<b>2011</b>	<b>2010</b>
Profit for the year from continuing operations attributable to the equity holders of the Company (A)	244	297
Amortization of publishing rights and impairments (adjusted for non-controlling interests)	157	144
Tax on amortization and impairments of publishing rights and goodwill	(54)	(51)
Profit/(loss) on divestments of operations, net of tax	9	0
Non-benchmark costs in operating profit, net of tax	88	46
<b>Ordinary net income (B)</b>	<b>444</b>	<b>436</b>
<b>Reconciliation between cash flow from operating activities and ordinary free cash flow</b>	<b>2011</b>	<b>2010</b>
Net cash from operating activities	536	532
Capital expenditure	(143)	(138)
Acquisition related costs	9	8
Paid divestment expenses	1	1
Dividends received	1	1
Appropriation of Springboard provisions, net of tax	39	42
<b>Ordinary free cash flow (C)</b>	<b>443</b>	<b>446</b>
<b>Per share information (in €)</b>	<b>2011</b>	<b>2010</b>
Weighted average number of shares (D) (in millions of shares)	298.4	296.4
Diluted weighted average number of shares (E) (in millions of shares)	301.5	300.3
Ordinary EPS (B/D)	1.49	1.47
Diluted ordinary EPS (minimum of ordinary EPS and [B/E])	1.47	1.45
Diluted ordinary EPS in constant currencies	1.51	1.48
Basic EPS (A/D)	0.82	1.00
Diluted EPS (minimum of basic EPS and [A/E])	0.81	0.99
Ordinary free cash flow per share (C/D)	1.48	1.51
Diluted ordinary free cash flow per share (minimum of ordinary free cash flow per share and [C/E])	1.47	1.49
<b>Non-benchmark costs in operating profit</b>	<b>2011</b>	<b>2010</b>
<i>Included in general and administrative costs:</i>		
Acquisition integration costs <sup>note 26</sup>	18	5
<i>Springboard costs:</i>		
Personnel-related restructuring costs	50	25
Onerous contracts	6	0
Third party costs	33	26
Other exceptional costs	13	6
Additions to Springboard provisions <sup>note 26</sup>	102	57
Asset write-offs <sup>note 14</sup>	2	1
Total Springboard costs	104	58
Acquisition related costs	9	8
<b>Total non-benchmark costs in operating profit</b>	<b>131</b>	<b>71</b>

<b>Benchmark tax rate</b>	<b>2011</b>	<b>2010</b>
Income tax expense	68	74
Tax benefit on amortization of publishing rights and impairments	54	51
Tax benefit on profit/(loss) on divestment of operations	(1)	0
Tax benefit on non-benchmark costs	43	25
<b>Tax on ordinary income (F)</b>	<b>164</b>	<b>150</b>
Ordinary net income (B)	444	436
Adjustment for non-controlling interests	2	2
<b>Ordinary income before tax (G)</b>	<b>610</b>	<b>588</b>
<b>Benchmark tax rate (F/G) (%)</b>	<b>27</b>	<b>26</b>
<b>Calculation of cash conversion ratio</b>	<b>2011</b>	<b>2010</b>
Ordinary EBITA (H)	728	716
Amortization of other intangible assets <sup>note 14</sup>	76	73
Depreciation of property, plant, and equipment <sup>note 15</sup>	30	28
Ordinary EBITDA	834	817
Autonomous movements in working capital	23	8
<b>Cash flow from operations (I)</b>	<b>857</b>	<b>825</b>
Capital expenditure (J)	143	138
<b>CAR-ratio ((I-J)/H) (%)</b>	<b>98</b>	<b>96</b>
<b>Reconciliation between operating profit and ordinary EBITA from discontinued operations</b>	<b>2011</b>	<b>2010</b>
Operating profit	(5)	(17)
Amortization of publishing rights and impairments	4	28
Non-benchmark costs in operating profit	4	-
<b>Ordinary EBITA</b>	<b>3</b>	<b>11</b>

## Non-benchmark costs in operating profit

Non-benchmark costs relate to expenses arising from circumstances or transactions that, given their size or nature, are clearly distinct from the ordinary activities of the Group and are excluded from the benchmark figures:

- Springboard costs;
- Restructuring costs;
- Acquisition integration costs;
- Acquisition related costs; and
- Fair value changes of contingent considerations.

### **Springboard**

The Springboard restructuring is driving the next wave of operational excellence at Wolters Kluwer by simplifying and standardizing the core systems and processes used to develop, sell, and support products and services globally. Springboard expenses include costs related to IT system migration and implementation, outsourcing, migration costs, costs related to reengineering the content creation process, and also include severance and property consolidation costs.

All Springboard program initiatives were initiated before the end of 2011. After 2011, no new non-benchmark costs will be incurred under this program.

### **Restructuring costs**

Restructuring costs excluded from benchmark figures are defined as expenses arising from circumstances or transactions that, given their size or nature, are clearly distinct from the ordinary activities of the Group.

### **Acquisition integration costs**

Acquisition integration costs are those one-time non-recurring cost incurred by the Group to integrate activities acquired by business combination.

### **Acquisition related costs**

Acquisition related costs are one-time non-recurring cost incurred by the Group resulting from acquisition activities. The acquisition related costs are directly attributable to acquisitions, such as legal fees, broker's cost, and audit fees, and have been included in the general and administrative expenses in the Group's consolidated statement of income.

### **Fair value changes contingent considerations**

Results from changes in fair value of contingent considerations are not considered to be part of ordinary operational business results.

## Segment Reporting <sup>note 3</sup>

Segment reporting by division	Legal & Regulatory		Tax & Accounting		Health	
	2011	2010	2011	2010	2011	2010
<b>Revenues third parties</b>	<b>1,451</b>	<b>1,471</b>	<b>931</b>	<b>922</b>	<b>639</b>	<b>608</b>
Cost of sales	487	503	289	292	230	238
<b>Gross profit</b>	<b>964</b>	<b>968</b>	<b>642</b>	<b>630</b>	<b>409</b>	<b>370</b>
Sales cost	246	250	172	164	133	127
<i>General and administrative costs:</i>						
General and administrative operating expenses	470	427	243	228	158	139
Amortization of publishing rights and impairments	50	52	61	57	24	18
Total operating expenses	766	729	476	449	315	284
<b>Operating profit</b>	<b>198</b>	<b>239</b>	<b>166</b>	<b>181</b>	<b>94</b>	<b>86</b>
Amortization of publishing rights and impairments	50	52	61	57	24	18
Non-benchmark costs in operating profit	76	34	30	24	8	3
<b>Ordinary EBITA</b>	<b>324</b>	<b>325</b>	<b>257</b>	<b>262</b>	<b>126</b>	<b>107</b>
Depreciation and amortization of other intangible assets	42	44	32	28	23	21
Goodwill and publishing rights at December 31	1,349	1,273	1,382	1,323	1,108	1,141
Capital expenditure	45	49	54	41	33	32
Ultimo number of FTEs	7,704	7,714	5,675	5,481	2,425	2,053

The four global operating divisions are based on strategic customer segments: Legal & Regulatory, Tax & Accounting, Health, and Financial & Compliance Services. This segment information by division is based on the Group's management and internal reporting structure. The Executive Board reviews the financial performance of its segments and the allocation of resources based on ordinary EBITA. Ordinary EBITA excludes exceptional restructuring expenses as these expenses are clearly distinct from the ordinary activities of the Group. Internal deliveries between the divisions are conducted on an at arm's length basis with terms comparable to transactions with third parties. These revenues are limited and therefore not presented separately and have been eliminated. Costs and capital expenditure incurred on behalf

of the segments by Global Shared Services/Global Platform Organization and associated FTEs are allocated. Third party revenues reported to the Executive Board are measured in a manner consistent with that in the statement of income.

There are no major customers with a revenue stream that exceeds 10% or more of the Group's total revenues.

Non-current liabilities, including interest-bearing liabilities, are not considered to be segment liabilities but rather are primarily managed by the central treasury and tax function. Working capital is not managed at operating segment level but at country/regional level.

Financial & Compliance Services		Corporate		Total continuing operations	
2011	2010	2011	2010	2011	2010
<b>333</b>	<b>307</b>			<b>3,354</b>	<b>3,308</b>
102	84			1,108	1,117
<b>231</b>	<b>223</b>	<b>0</b>	<b>0</b>	<b>2,246</b>	<b>2,191</b>
80	78			631	619
100	90	47	43	1,018	927
26	19	0	1	161	147
206	187	47	44	1,810	1,693
<b>25</b>	<b>36</b>	<b>(47)</b>	<b>(44)</b>	<b>436</b>	<b>498</b>
26	19	0	1	161	147
13	7	4	3	131	71
<b>64</b>	<b>62</b>	<b>(43)</b>	<b>(40)</b>	<b>728</b>	<b>716</b>
9	8	0	0	106	101
525	538	-	-	4,364	4,275
9	15	0	0	143	138
2,077	2,018	98	97	17,979	17,363

## Geographical segments

The geographical information can be summarized as follows:

Revenues were generated in the following regions:	2011		2010	
		%		%
The Netherlands	210	6	224	7
Europe (excluding The Netherlands)	1,264	38	1,221	37
North America	1,688	50	1,692	51
Asia Pacific	162	5	149	4
Rest of the world	30	1	22	1
<b>Total</b>	<b>3,354</b>	<b>100</b>	<b>3,308</b>	<b>100</b>

Total non-current assets per region:	2011		2010	
		%		%
Europe	1,792	35	1,843	37
North America	3,253	64	3,093	62
Asia Pacific	60	1	21	1
Rest of the world	0	0	0	0
<b>Total</b>	<b>5,105</b>	<b>100</b>	<b>4,957</b>	<b>100</b>

## Earnings per Share <sup>note 4</sup>

### Basic earnings per share

The calculation of basic earnings per share at December 31, 2011 was based on the profit of €120 million (2010: €288 million) attributable to the ordinary equity holders of the

Company, and a weighted average number of ordinary shares outstanding of 298.4 million (2010: 296.4 million), calculated as follows:

<b>Profit for the year attributable to the equity holders of the Company</b>	<b>2011</b>	2010
From continuing operations (A)	244	297
From discontinued operations (B)	(124)	(9)
<b>Profit for the year attributable to the equity holders of the Company (C)</b>	<b>120</b>	<b>288</b>
<b>Weighted average number of shares</b> in millions of shares	<b>2011</b>	2010
Outstanding ordinary shares at January 1 <sup>note 27</sup>	298.6	292.0
Effect of stock dividend	1.6	3.2
Effect of issued shares	0.6	1.2
Effect of repurchased shares	(2.4)	-
<b>Weighted average number of shares (D)</b>	<b>298.4</b>	<b>296.4</b>
Basic EPS from continuing operations (€) (A/D)	0.82	1.00
Basic EPS from discontinued operations (€) (B/D)	(0.42)	(0.03)
Basic EPS (€) (C/D)	0.40	0.97

### Diluted earnings per share

The calculation of diluted earnings per share at December 31, 2011 was based on the profit of €120 million (2010: €288 million) attributable to the ordinary equity holders of the Company, and a diluted weighted average number of ordinary

shares outstanding of 301.5 million (2010: 300.3 million), after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

<b>Diluted weighted average number of shares (E)</b> in millions of shares	<b>2011</b>	2010
Weighted average number of shares (D)	298.4	296.4
Long-Term Incentive Plan	3.1	3.9
Share options	0.0	0.0
<b>Diluted weighted average number of shares (E)</b>	<b>301.5</b>	<b>300.3</b>
Diluted EPS from continuing operations (€) (minimum of basic EPS and [A/E])	0.81	0.99
Diluted EPS from discontinued operations (€) (minimum of basic EPS and [B/E])	(0.41)	(0.03)
Diluted EPS (€) (minimum of basic EPS and [C/E])	0.40	0.96

## Discontinued Operations and Assets Held for Sale <sup>note 5</sup>

### *Discontinued operations*

On July 27, 2011, Wolters Kluwer announced the planned sale of its Pharma business. The Health division will focus on its leading positions in professional information and clinical decisions support going forward. The majority of the Pharma business was included in the Health division. The operations of the Pharma business have been presented as discontinued operations. Prior year amounts in the statement of income and statement of cash flows have been represented.

In connection with the planned sale an impairment loss of €112 million was recorded and presented as result from discontinued operations.

The following table summarizes the results of the Pharma business included in the consolidated statement of income as discontinued operations for 2011 and 2010.

Results from discontinued operations	2011	2010
Revenues	217	248
Expenses	(222)	(265)
Operating profit	(5)	(17)
Income tax	3	8
<b>Results from operating activities, net of tax</b>	<b>(2)</b>	<b>(9)</b>
Impairment	(112)	-
Income tax on impairment	0	-
Profit/(loss) on sale of discontinued operations, net of tax	(10)	-
<b>Profit/(loss) from discontinued operations, net of tax</b>	<b>(124)</b>	<b>(9)</b>

The loss for the year from discontinued operations is fully attributable to the equity holders of the Company.

### *Cash flow from discontinued operations*

Cash flows from discontinued operations	2011	2010
Net cash from/(used in) operating activities	(8)	5
Net cash from/(used in) investing activities	(4)	(7)
Net cash from/(used in) financing activities	-	-
<b>Net cash flow from/(used in) discontinued operations</b>	<b>(12)</b>	<b>(2)</b>

On December 23, 2011, the Group completed the sale of its Marketing & Publishing Services (MPS) business. The sale represents approximately 35% of the Group's Pharma business in terms of revenue, with Adis and inScience Communications as the leading brands, and encompasses approximately 450 employees globally. The proceeds from this divestment are expected to be used for general corporate purposes including the reduction of debt levels in line with the company's stated objectives and investments in the business.

***Effect of disposal of discontinued operations on the financial position of the Group***

The following table summarizes the consideration receivable, the result from discontinued operations and the cash proceeds on the sale of MPS.

Discontinued operations disposed of during the year	2011
Consideration receivable in cash	41
Non-current note receivable <sup>note 17</sup>	8
Working capital to be settled	(1)
<b>Total consideration receivable</b>	<b>48</b>
Non-current assets	47
Current assets	27
Current liabilities	(18)
<b>Net identifiable assets and liabilities</b>	<b>56</b>
Costs incurred	(9)
Recycling of foreign exchange differences on loss of control recognized in Other Comprehensive Income	1
Profit/(loss) on sale of discontinued operations before tax	(16)
Income tax discontinued operations	6
<b>Profit/(loss) on sale of discontinued operations, net of tax</b>	<b>(10)</b>
<i>The cash effect of the disposal is:</i>	
Consideration received in cash	41
Cash and cash equivalents disposed of	(4)
<b>Net cash flow from disposal of discontinued operations</b>	<b>37</b>

***Disposal group held for sale***

The following table summarizes the assets and liabilities of the Pharma business classified as held for sale in the consolidated statement of financial position at December 31, 2011:

	2011
<b>Assets held for sale</b>	
Goodwill and intangible assets	33
Property, plant, and equipment	5
Financial assets	1
Inventories	4
Trade and other receivables	34
Income tax receivable	4
<b>Total</b>	<b>81</b>
<b>Liabilities held for sale</b>	
Deferred income	18
Trade and other payables	26
Deferred tax liabilities	6
<b>Total</b>	<b>50</b>

## Acquisitions and Divestments <sup>note 6</sup>

Acquisitions			2011	2010
	Carrying amount	Fair value adjustments	Recognized values	Recognized values
Consideration payable in cash			306	251
Fair value of equity-accounted investees <sup>note 16</sup>			2	-
<i>Deferred considerations:</i>				
Non-current <sup>note 24</sup>			3	2
Current			5	5
<b>Total consideration payable</b>			<b>316</b>	<b>258</b>
Intangible assets	10	210	220	175
Other non-current assets	8	-	8	7
Trade and other receivables	29	-	29	11
Other current assets	15	-	15	14
Deferred income	(34)	-	(34)	(16)
Other current liabilities	(17)	-	(17)	(16)
Non-current liabilities	(2)	-	(2)	-
Restructuring provisions <sup>note 26</sup>	(2)	-	(2)	(2)
Deferred tax	3	(21)	(18)	(43)
<b>Fair value of net identifiable assets and liabilities</b>	<b>10</b>	<b>189</b>	<b>199</b>	<b>130</b>
Non-controlling interests			5	-
<b>Goodwill on acquisitions</b>			<b>122</b>	<b>128</b>
<i>The cash effect of the acquisitions is:</i>				
Consideration payable in cash			306	251
Cash acquired			(15)	(10)
Deferred considerations paid			8	10
<b>Acquisition spending, net of cash acquired</b>			<b>299</b>	<b>251</b>

### Acquisition spending

Total acquisition spending in 2011 was €299 million (2010: €251 million) including payments of €8 million for acquisitions made in previous years and €43 million for acquired tax benefits. Acquisition related costs amounted to €9 million in 2011 (2010: €8 million).

The goodwill recorded in connection with the 2011 acquisitions represents future economic benefits specific to Wolters Kluwer arising from assets that do not qualify

for separate recognition as intangible assets. This includes amongst others synergies in skilled workforce and technology costs, the leverage of know-how, the opportunity to portfolio enrichment, the benefits of high barriers of key source information, and complete penetration in the area of information provisioning in certain markets.

The goodwill recognized in 2011 includes an amount of €90 million that is deductible for income tax purposes.

Contribution of acquisitions	Revenues	Ordinary EBITA	Profit for the year
Totals excluding the impact of 2011 acquisitions	3,312	720	120
Contribution of 2011 acquisitions	42	8	(2)
<b>Totals for the year 2011</b>	<b>3,354</b>	<b>728</b>	<b>118</b>
Pro-forma contribution of 2011 acquisitions for the period January 1, 2011 up to acquisition date	48	14	4
<b>Pro-forma totals for the year 2011</b>	<b>3,402</b>	<b>742</b>	<b>122</b>

The above pro-forma information does not purport to represent what the actual results would have been had the acquisitions actually been concluded on January 1, 2011, nor is the information necessarily indicative for future results of the acquired operations. In determining the contributions by the acquisitions, management has assumed that the fair value adjustments that arose on the date of the acquisition would have been the same as if acquisition had occurred on January 1, 2011.

#### Contingent consideration

Acquisitions completed after January 1, 2011 did not include any significant contingent considerations. In some acquisitions, the Group has agreed to pay the sellers over a certain period additional considerations of €3 million (undiscounted) if the acquiree's cumulative revenues and/or EBITA exceeds certain thresholds over the agreed upon periods.

#### Provisional fair value accounting

The fair value of the identifiable assets and liabilities of some acquisitions could only be determined provisionally and will be subject to change based on the outcome of the purchase price allocation in 2012. The acquisition accounting will be revised if new information, obtained within one year from acquisition date about facts and circumstances that existed at the acquisition date, identifies adjustments to the above amounts, or for any additional provisions that existed at the acquisition date.

The main acquisitions completed in 2011 were the following:

On May 26, 2011, the Company acquired 100% of the shares of Lexicomp, Inc. Lexicomp is a leading provider of drug information and clinical content for pharmacists, clinicians, and hospitals internationally. Lexicomp is included in the Health division and has 150 employees. The annualized revenues are approximately €24 million.

On June 14, 2011, the Company acquired 100% of the shares of Twinfield BV. Twinfield is a Dutch-based pioneer and market leader in online accounting software, serving professionals in the Netherlands, the United Kingdom, and Scandinavia. Twinfield is included in the Tax & Accounting division and has 75 employees. The annualized revenues are approximately €8 million.

On August 31, 2011 the Company completed the acquisition of 100% of the shares of National Registered Agents, Inc. ("NRAI"). Through this acquisition, Wolters Kluwer CLS strengthens its position as a leading provider of legal compliance and corporate governance solutions. NRAI provides registered agent services to small and mid-sized businesses and the legal community that supports them. NRAI is included in the Legal & Regulatory business and has approximately 140 employees. The annualized revenues are approximately €36 million.

### Divestments of operations

In 2011 and 2010, there were a number of divestments of operations to optimize the portfolio.

Divestments of operations	2011	2010
Consideration receivable in cash	4	4
Consideration receivable in assets	-	31
<b>Consideration receivable</b>	<b>4</b>	<b>35</b>
Non-current assets	11	30
Current assets	1	9
Current liabilities	(1)	(7)
Provisions	0	2
<b>Net identifiable assets and liabilities</b>	<b>11</b>	<b>34</b>
Divestment expenses	(1)	(1)
<b>Profit/(loss) on sale of divestments</b>	<b>(8)</b>	<b>0</b>
<i>The cash effect of the disposals is:</i>		
Consideration receivable in cash	4	4
Cash included in divested operations	0	(5)
<b>Receipts from divestments of operations</b>	<b>4</b>	<b>(1)</b>

Consideration receivable in assets related to the 25%-equity interest in the Access Data Group obtained in 2010 (see [note 16](#)). Result on divestments of operations in 2010 included a book gain of €4 million on the sale of the 25.9% equity interest in Boekhandels Groep Nederland early 2010, offset by losses on other divestments.

### Sales Costs <sup>note 7</sup>

Sales costs	2011	2010
Marketing and promotion costs	187	190
Sales costs	360	338
Customer support costs	69	69
Changes in bad debt provisions	15	22
<b>Total</b>	<b>631</b>	<b>619</b>

Sales costs relate to direct internal personnel expenses and direct external costs incurred for marketing and sales activities. The sales costs increased mainly due to higher costs as result of continuing focus on increasing the strength of the sales force.

## General and Administrative Operating Expenses <sup>note 8</sup>

General and administrative operating expenses	2011	2010
Publishing and editorial costs	191	189
General and administrative expenses	696	667
Springboard costs <sup>note 2</sup>	104	58
Acquisition integration costs <sup>note 26</sup>	18	5
Acquisition related costs <sup>note 6</sup>	9	8
<b>Total</b>	<b>1,018</b>	<b>927</b>

The general and administrative operating expenses increased compared to last year due to the launch of additional Springboard programs and the impact of acquisitions, partly offset by the effects of cost containment programs and favorable foreign currency effects.

## Personnel Expenses <sup>note 9</sup>

Personnel expenses	2011	2010
Salaries and wages	1,051	1,008
Social security charges	138	139
Costs of defined contribution plans	49	42
Expenses related to defined benefit plans <sup>note 25</sup>	2	2
Equity-settled share-based payment transactions <sup>note 28</sup>	16	16
<b>Total</b>	<b>1,256</b>	<b>1,207</b>

Savings in personnel expenses from cost containment programs (Springboard related staff reductions) were offset by an increase in personnel expenses resulting from annual merit increases, and the net impact of 2011 acquisitions and divestments.

## Amortization, Impairments, and Depreciation <sup>note 10</sup>

Amortization, impairments, and depreciation	2011	2010
Amortization of publishing rights <sup>note 14</sup>	161	147
Impairments of goodwill and publishing rights <sup>note 14</sup>	0	0
<b>Total amortization of publishing rights and impairments</b>	<b>161</b>	<b>147</b>
Amortization of other intangible assets <sup>note 14</sup>	76	73
Impairments of other intangible assets <sup>note 14</sup>	2	1
Depreciation of property, plant, and equipment <sup>note 15</sup>	30	28
<b>Total</b>	<b>269</b>	<b>249</b>

## Financing Results <sup>note 11</sup>

Financing results	2011	2010
<b>Finance income</b>		
Interest income on short-term bank deposits	4	6
Derivatives – foreign exchange contracts	2	1
Other finance income	0	1
<b>Total finance income</b>	<b>6</b>	<b>8</b>
<b>Finance cost</b>		
<i>Interest expense:</i>		
Bank borrowings and overdrafts	(3)	(5)
Bonds and private placements	(118)	(108)
<i>Items in hedge relationships:</i>		
Interest rate swaps	(3)	(10)
Foreign exchange gains/(losses) on loans subject to cash flow hedge	(16)	(33)
Net change in fair value of cash flow hedges reclassified from Other comprehensive income	16	34
Fair value changes of cash flow hedge	-	(2)
Ineffective portion of hedging	0	0
<i>Other finance costs:</i>		
Net foreign exchange gains/(losses) and other finance costs	2	(11)
Derivatives – foreign exchange contracts	0	0
Amortization of debt instruments	(2)	(2)
<b>Total finance costs</b>	<b>(124)</b>	<b>(137)</b>
<b>Total financing results</b>	<b>(118)</b>	<b>(129)</b>

Net foreign exchange gains/(losses) include foreign exchange results on certain intercompany balances, which do not eliminate in consolidation.

## Income Tax Expense <sup>note 12</sup>

Recognized in statement of income	2011	2010
Current tax expense	86	124
Adjustment previous years	(7)	2
Benefit previously unrecognized tax loss	(4)	(6)
<i>Deferred tax expense:</i>		
Origination and reversal of temporary differences <sup>note 18</sup>	(7)	(46)
<b>Taxation on income in statement of income</b>	<b>68</b>	<b>74</b>

Reconciliation of the effective tax rate	2011		2010	
	%		%	
Profit before tax		310		370
Normative income tax expense	29	91	30	112
<i>Tax effect of:</i>				
Intra-group financing activities	(12)	(37)	(10)	(36)
Tax exemption on results on divestments of operations	3	9	0	(3)
Non-deductible costs and other items	2	5	0	1
<b>Taxation on income in statement of income</b>	<b>22</b>	<b>68</b>	<b>20</b>	<b>74</b>

The normative income tax expense has been computed as the weighted average rates of the jurisdictions where the Group operates.

## Non-Controlling Interests <sup>note 13</sup>

The Group's shares in the most significant consolidated subsidiaries that were not fully owned at December 31 were:

Ownership in %	2011	2010
Akadémiai (Budapest, Hungary)	74.0	74.0
Wolters Kluwer Russia Publishing Holding bv (Amsterdam, Netherlands)	55.0	55.0
CCH Prosystems India Private Limited, (Bangalore, India)	60.0	-
Medicom (Chengdu, China)	55.0	-

Non-controlling interests of consolidated participations in the profit for the year of the Group in 2011 were €(2) million (2010: €(1) million). Non-controlling interests in the equity of consolidated participations, totaling €21 million (2010: €19 million), are based on third-party shareholding in the underlying shareholders' equity of the subsidiaries.

The non-controlling interests acquired in 2011 are measured initially at the proportionate share of the acquiree's identifiable net assets.

Summary financial information based on 100% ownership	2011	2010
Revenues	42	37
Ordinary EBITA	5	3
Net profit	(4)	(3)
Total assets	63	56
Total liabilities	28	13
Total equity	35	43

The Group's share in the funding of the non-controlling interests is not significant.

## Goodwill and Intangible Assets note 14

Intangible assets	Goodwill	Publishing rights	Other	2011	2010
<b>Position at January 1</b>					
Purchase value	3,218	2,187	647	6,052	5,689
Accumulated amortization and impairments	(170)	(960)	(338)	(1,468)	(1,463)
Book value at January 1	3,048	1,227	309	4,584	4,226
<b>Movements</b>					
Investments	-	-	121	121	107
Acquisitions through business combinations	122	210	10	342	306
Divestments of operations <small>note 6</small>	(11)	-	-	(11)	(30)
Disposals of assets	-	-	(1)	(1)	(1)
Net expenditures	111	210	130	451	382
Amortization <small>note 10</small>	-	(161)	(76)	(237)	(220)
Impairments <small>note 2</small>	0	-	(2)	(2)	(1)
Reclassifications	(19)	33	-	14	(23)
Transfer to assets held for sale	(154)	(40)	(8)	(202)	-
Exchange differences and other movements	82	27	12	121	220
<b>Total movements</b>	<b>20</b>	<b>69</b>	<b>56</b>	<b>145</b>	<b>358</b>
<b>Position at December 31</b>					
Purchase value	3,097	2,429	782	6,308	6,052
Accumulated amortization and impairments	(29)	(1,133)	(417)	(1,579)	(1,468)
<b>Book value at December 31</b>	<b>3,068</b>	<b>1,296</b>	<b>365</b>	<b>4,729</b>	<b>4,584</b>

Reclassifications include the additionally recognized publishing rights and related deferred tax liability from the final outcome of the purchase price allocation of 2010 acquisitions.

### Impairment testing cash-generating units containing goodwill

Carrying amounts of goodwill and publishing rights per global operating division	Goodwill	Publishing rights	2011	2010
Legal & Regulatory	1,021	328	1,349	1,273
Tax & Accounting	928	454	1,382	1,323
Health	813	295	1,108	1,141
Financial & Compliance Services	306	219	525	538
<b>Total</b>	<b>3,068</b>	<b>1,296</b>	<b>4,364</b>	<b>4,275</b>

The Group reviews at each reporting date whether there is an indication that any of the cash-generating units (CGUs) that contain goodwill and publishing rights may be impaired. Furthermore, the Group carries out an annual impairment test by comparing the carrying amount of the CGU to which the goodwill and publishing rights belong, net of related deferred taxes, to the recoverable amount of the CGU.

The recoverable amount is determined based on a calculation of its value in use. The value in use was determined by discounting the future cash flows to be generated from the continuing use of the CGUs. The value-in-use calculations in 2011 were determined in a similar manner as in 2010. The cash flow projections are based on actual operating results and Business Development Plans, as approved by the Executive Board.

The annual impairment test carried out in 2011 showed that the recoverable amount for all groups of CGUs for goodwill impairment testing exceeded the carrying amounts.

#### Changes in composition of cash generating units containing goodwill

The Group's announced new strategy, and consequently its transformation in 2010 towards a global organization focused on key customer segments, and the implementation of a regional structure within the Divisions, resulted in a change in operating segments and also in the composition of one or more groups of cash generating units to which goodwill has been allocated. A regional structure was created to ensure further integration of the countries, to facilitate cross-selling and cross-country realization of synergies from past and future acquisitions. Consequently, the internal reporting structure of the Group changed in 2010 and different management information is provided to the Executive Board.

In 2010, goodwill was reallocated to operating segments and regions within an operating division, at which level goodwill will be monitored, as follows:

- Goodwill for which it could be determined to which operating division it belongs has been directly allocated to a division; and
- All other goodwill that had to be reallocated has been reallocated using a relative value approach.

#### Key assumptions used in discounting cash flows

The period over which the Group estimates its cash flow projections is five years. After five years cash flow projections are extrapolated using an appropriate perpetual growth rate that is consistent with the long-term average market growth rate and that does not exceed 2% (2010: 3%).

The estimated pre-tax cash flows are discounted to their present value using a pre-tax weighted average cost of capital (WACC) between 8.7% and 10.9% (2010: between 8.4% and 10.6%).

In determining the WACC the Group used the following assumptions:

Assumptions WACC	2011	2010
Risk free rate (in %)	3.9	3.2
Market risk premium (in %)	5.0	5.0
Tax rate (in %)	25.0	25.5
Re-levered beta	0.8	1.0

The risk free-rate of 3.9% is based on the long-term yield on Dutch government bonds with a maturity of 30 years (2010: 3.2% based on the long-term yield on Dutch government bonds with a maturity of 15 years). Management is of the opinion that the yield on Dutch government bonds with 30-years maturity is a better approximation of the risk free rate in 2011.

In addition to the WACC and the perpetual growth rate the following key assumptions were used in the projections:

- Revenue growth: based on actual experience, an analysis of market growth and the expected development of market share; and
- Ordinary EBITA-margin development: based on actual experience and management's long-term projections; Ordinary EBITA is deemed to be the best approximation for estimating future cash flows.

### Sensitivity analysis

The impairment test also included an assessment, if a reasonably possible change in a key assumption would cause the carrying amount to exceed the recoverable amount and none were noted. If the pre-tax discount rate would increase by 0.5%, none of the CGUs would need to recognize impairment. The average perpetual growth rate for the Group is 1.9% (2010: 2.5%). If the perpetual growth rate would decline by 150 basis points, none of the CGUs would be impaired either.

## Property, Plant, and Equipment <sup>note 15</sup>

Property, plant, and equipment	Land and buildings	Other fixed assets	2011	2010
<b>Position at January 1</b>				
Purchase value	124	385	509	502
Accumulated depreciation	(55)	(306)	(361)	(367)
Book value at January 1	69	79	148	135
<b>Movements</b>				
Investments	2	22	24	34
Acquisitions through business combinations	3	3	6	2
Disposals of assets	0	(1)	(1)	(2)
Net expenditures	5	24	29	34
Depreciation <sup>note 10</sup>	(3)	(27)	(30)	(28)
Transfer to assets held for sale/reclassifications	(2)	(5)	(7)	2
Exchange differences and other movements	1	1	2	5
<b>Total movements</b>	<b>1</b>	<b>(7)</b>	<b>(6)</b>	<b>13</b>
<b>Position at December 31</b>				
Purchase value	129	403	532	509
Accumulated depreciation	(59)	(331)	(390)	(361)
<b>Book value at December 31</b>	<b>70</b>	<b>72</b>	<b>142</b>	<b>148</b>

## Investments in Equity-accounted Investees <sup>note 16</sup>

Investments in equity-accounted investees	2011	2010
Position at January 1	63	30
Acquisitions through business combinations	2	2
Dividends received	(1)	(1)
Share of profit in equity-accounted investees (net of tax)	0	1
Change in control	(2)	31
Foreign exchange differences and other movements	3	0
<b>Position at December 31</b>	<b>65</b>	<b>63</b>

The caption 'Change in control' in 2010 related to a share transaction in which the Group entered into an external partnership whereby the net assets of one of its subsidiaries,

CT Summation, were contributed to a third party resulting in a 25%-equity interest in the Access Data Group. This equity-interest is accounted for as an equity-accounted investee.

Summary financial information on net equity-accounted investees (at 100%) and the Group's weighted proportionate share	Total net equity-accounted investees		Group's share	
	2011	2010	2011	2010
Total assets	98	88	28	26
Total liabilities	70	62	20	19
Total equity	28	26	8	7
Revenues	150	115	47	39
Net profit/(loss) for the year	(3)	(1)	0	1

## Financial assets note 17

Financial assets	2011	2010
Investments	1	1
Note receivable <small>note 5</small>	8	-
Other receivables	29	28
Derivative financial instruments <small>note 23</small>	51	44
<b>Total</b>	<b>89</b>	<b>73</b>

The note receivable in 2011 relates to a 10% interest-bearing U.S. dollar denominated receivable, maturing in March 2014. The borrower may prepay this promissory note in full or in part at any time prior to maturity date.

The U.S. Medicare Prescription Drug, Improvement, and Modernization Act introduced a tax-free federal subsidy to sponsors of retiree healthcare benefit plans that provides a benefit that is at least actuarially equivalent to the Medicare Part D benefit. The Group's subsidy has been actuarially determined at €20 million (2010: €16 million), which has been reflected as a financial asset under 'Other receivables'.

## Deferred Tax Assets and Liabilities note 18

Deferred tax assets and liabilities	Assets	Liabilities	2011	2010
Intangible assets	29	(419)	(390)	(372)
Property, plant, and equipment	3	(54)	(51)	(46)
Employee benefits	66	(2)	64	55
Interest carry-forward	146	-	146	142
Tax value of loss carry-forwards recognized	30	-	30	30
Other items	87	(57)	30	37
Tax assets/(liabilities)	361	(532)	(171)	(154)
Set off of tax	(281)	281	0	0
<b>Net tax assets/(liabilities)</b>	<b>80</b>	<b>(251)</b>	<b>(171)</b>	<b>(154)</b>

The actual realization of the deferred tax assets depends on the generation of future taxable income during the periods in which the temporary differences become deductible. Based

on projected future taxable income and available strategies, the Group considers the future realization of these deferred tax assets more likely than not.

Movement in temporary differences, 2011	Balance at January 1	Acquisitions/disposals	Recognized in statement of income <small>note 12</small>	Discontinued operations	Recognized in equity	Exchange differences and other movements	Balance at December 31
Intangible assets	(372)	(32)	17	6	-	(9)	(390)
Property, plant, and equipment	(46)	-	(4)	-	-	(1)	(51)
Employee benefits	55	-	(3)	-	11	1	64
Interest carry-forward	142	-	(1)	-	-	5	146
Tax value of loss carry-forwards recognized	30	-	1	-	-	(1)	30
Other items	37	-	(3)	-	(5)	1	30
<b>Total</b>	<b>(154)</b>	<b>(32)</b>	<b>7</b>	<b>6</b>	<b>6</b>	<b>(4)</b>	<b>(171)</b>

Movement in temporary differences, 2010	Balance at January 1	Acquisitions/disposals	Recognized in statement of income <small>note 12</small>	Discontinued operations	Recognized in equity	Exchange differences and other movements	Balance at December 31
Intangible assets	(329)	(46)	23	-	-	(20)	(372)
Property, plant, and equipment	(45)	-	2	-	-	(3)	(46)
Employee benefits	46	-	(3)	-	9	3	55
Interest carry-forward	113	-	22	-	-	7	142
Tax value of loss carry-forwards recognized	28	-	0	-	-	2	30
Other items	42	-	2	-	(9)	2	37
<b>Total</b>	<b>(145)</b>	<b>(46)</b>	<b>46</b>	<b>-</b>	<b>0</b>	<b>(9)</b>	<b>(154)</b>

The 2011 movement in deferred tax liabilities from acquisitions of €32 million (2010: €46 million) includes €18 million with regard to acquisitions made in 2011

(2010: €43 million) and €14 million (2010: €3 million) that relates to the final outcome of the purchase price allocation of prior year acquisitions.

Movements in overall tax position	2011	2010
<b>Position at January 1</b>		
Tax receivable	5	28
Tax payable	(43)	(28)
Deferred tax assets	89	107
Deferred tax liabilities	(243)	(252)
Overall tax position	(192)	(145)
<b>Movements</b>		
Total income tax expense	(68)	(74)
Deferred tax on acquisitions/disposals	(32)	(46)
Deferred tax on items recognized immediately in equity	(4)	(4)
Deferred tax on items recognized immediately in other comprehensive income	10	4
Paid corporate income tax	112	70
Transfer to assets held for sale/liabilities to held for sale	1	-
Exchange differences and other movements	6	3
<b>Total movements</b>	<b>25</b>	<b>(47)</b>
<b>Position at December 31</b>		
Tax receivable	30	5
Tax payable	(26)	(43)
Deferred tax assets	80	89
Deferred tax liabilities	(251)	(243)
<b>Overall tax position</b>	<b>(167)</b>	<b>(192)</b>

#### Unrecognized deferred tax assets

The Group has not recognized deferred tax assets that relate to unused tax losses amounting to €61 million (2010: €43 million), because it is not probable that future taxable profit will be available against which the Group can utilize

the benefits. Of these unused tax losses 37% (2010: 37%) expires within the next 5 years, 17% (2010: 14%) expires after 5 years, and 46% (2010: 49%) carries forward indefinitely.

Deferred tax on items recognized immediately in other comprehensive income and immediately in equity	2011			2010		
	Amount before tax	Tax	Amount net of tax	Amount before tax	Tax	Amount net of tax
Exchange differences on translation of foreign operations	51	(1)	50	115	(5)	110
Gains/(losses) on cash flow hedges	(7)	0	(7)	(1)	0	(1)
Actuarial gains/(losses) on defined benefit plans	(32)	11	(21)	(28)	9	(19)
<b>Total tax in other comprehensive income</b>	<b>12</b>	<b>10</b>	<b>22</b>	<b>86</b>	<b>4</b>	<b>90</b>
Share-based payments	16	(4)	12	16	(4)	12
<b>Total tax in equity</b>	<b>16</b>	<b>(4)</b>	<b>12</b>	<b>16</b>	<b>(4)</b>	<b>12</b>

## Inventories note 19

Inventories	2011	2010
Raw materials	3	4
Work in progress	27	23
Finished products and trade goods	51	58
<b>Total</b>	<b>81</b>	<b>85</b>

At December 31, 2011, the provision for obsolescence deducted from the inventory book values amounted to €34 million (2010: €38 million). In 2011, an amount of €6 million was recognized as an expense for the change in the provision for obsolescence (2010: €6 million) and is presented as part of cost of sales in the statement of income.

## Trade and Other Receivables note 20

Trade and other receivables	2011	2010
Trade receivables	960	934
Prepayments	121	101
Derivative financial instruments <small>note 23</small>	-	1
Other receivables	18	16
<b>Total</b>	<b>1,099</b>	<b>1,052</b>

Trade receivables are shown net of impairment losses amounting to €53 million (2010: €52 million).

The fair value of the receivables is equal to the carrying amount. Impairment losses on trade receivables are presented as part of sales costs in the statement of income.

## Cash and Cash Equivalents note 21

Cash and cash equivalents	2011	2010
Deposits	80	302
Cash and bank balances	215	156
<b>Total</b>	<b>295</b>	<b>458</b>

All deposits are demand deposits that are readily convertible into cash. Bank balances include an amount of approximately €2 million (2010: €2 million) of restricted cash.

## Other Current Liabilities note 22

Other current liabilities	2011	2010
Salaries, holiday allowances	149	146
Royalties payable	69	77
Social security premiums and other taxation	55	52
Pension-related payables	9	9
Derivative financial instruments <small>note 23</small>	13	12
Interest payable	82	84
Deferred acquisition payments <small>note 23</small>	5	8
Other liabilities and accruals	57	69
<b>Total</b>	<b>439</b>	<b>457</b>

## Financial Instruments note 23

Long-term debt	Nominal value	Effective interest rate (in %)	Nominal interest rate (in %)	Repayment	Repayment	2011	2010
				commitments 1-5 years	commitments >5 years		
Bonds 2003-2014	€ 700	5.240	5.125	699	-	699	698
Bonds 2008-2018	€ 750	6.472	6.375	-	746	746	746
Bonds 2008-2028	€ 36	6.812	6.748	-	36	36	36
Private placement 2008-2038	¥ 20,000	3.330	3.330	-	199	199	183
Private placement 2010-2020	€ 250	4.425	4.200	-	246	246	246
Perpetual cumulative subordinated bonds	€ 225	7.270	6.875	-	225	225	225
Deferred acquisition payments				7	-	7	4
Other long-term loans				-	-	0	3
<b>Total long-term loans</b>				<b>706</b>	<b>1,452</b>	<b>2,158</b>	<b>2,141</b>
Derivative financial instruments				-	-	0	0
<b>Total long-term debt</b>				<b>706</b>	<b>1,452</b>	<b>2,158</b>	<b>2,141</b>

Net debt	2011	2010
<b>Total long-term debt</b>	<b>2,158</b>	<b>2,141</b>
<b>Borrowings and bank overdrafts</b>		
Multi-currency roll-over credit facility	193	352
Other bilateral U.S. dollar bank loans	116	-
Other short-term loans	24	6
Bank overdrafts	13	19
<b>Total borrowings and bank overdrafts</b>	<b>346</b>	<b>377</b>
Deferred acquisition payments <small>note 22</small>	5	8
Derivative financial instruments <small>note 22</small>	13	12
<b>Total short-term debt</b>	<b>364</b>	<b>397</b>
<b>Gross debt</b>	<b>2,522</b>	<b>2,538</b>
<i>Minus:</i>		
Cash and cash equivalents <small>note 21</small>	(295)	(458)
Note receivable <small>note 5</small>	(8)	-
<i>Derivative financial instruments:</i>		
Non-current receivable <small>note 17</small>	(51)	(44)
Current receivable <small>note 20</small>	-	(1)
<b>Net debt</b>	<b>2,168</b>	<b>2,035</b>

The nominal interest rates on the bonds are fixed until redemption. The interest rate on the multi-currency roll-over credit facility and other bilateral bank loans is variable.

### Loan maturity

The following amounts of gross debt at December 31, 2011, are due within and after five years:

Gross debt	2011
2013	2
2014	701
2015	0
2016	3
Due after 2016	1,452
Long-term debt	2,158
Short-term debt (2012)*	364
<b>Total</b>	<b>2,522</b>

\* 2012 includes short-term borrowings on facilities and bank loans (€309 million)

### Bonds

Wolters Kluwer has unsubordinated bonds outstanding for an amount of €1,481 million as at December 31, 2011 (2010: €1,480 million).

On November 19, 2003, Wolters Kluwer issued a ten-year unsubordinated Eurobond with a nominal value of €700 million. The coupon on the bonds is 5.125% with an issue price of 99.618 per cent.

On April 2, 2008, Wolters Kluwer issued a ten-year unsubordinated Eurobond of €750 million. The bonds have been priced at an issue price of 99.654 per cent and carry an annual coupon of 6.375%.

On August 28, 2008, Wolters Kluwer issued a twenty-year unsubordinated Eurobond of €36 million. The bonds have been priced at an issue price of 100 per cent and carry an annual coupon of 6.748%.

### Private placements

On February 26, 2008, Wolters Kluwer entered into four bilateral private loan agreements for a total amount of ¥20 billion (2011: €199 million; 2010: €183 million) with a maturity of 30 years. The loans denominated in Japanese yen were swapped to euro. The Company has collateral of €18 million received in cash for this cross currency interest rate swap.

On July 28, 2010, Wolters Kluwer entered into a bilateral private loan agreement for a total amount of €250 million (€246 million at year-end 2011) with a maturity of 10 years. The receipt of the cash proceeds took place in December 2010. The private loan has been priced at an issue price of 98.567 per cent and carries an annual coupon of 4.20%.

### Perpetual cumulative subordinated bonds

On May 14, 2001, a perpetual cumulative subordinated bond loan with a nominal value of €225 million was issued. The issue price of the bonds was 100%. These bonds bear interest at 6.875%. Wolters Kluwer has a yearly right to redeem the loan as from May 2008. Wolters Kluwer is allowed to refrain from paying interest if there is not declared, or made available, any dividend for payment. The accrued interest will be paid in a subsequent year where there is dividend declared and paid. In case of bankruptcy, Wolters Kluwer has no obligation to pay any accrued interest; the nominal amounts of the bond will then become a subordinated liability.

### Multi-currency roll-over credit facility

In July 2010, Wolters Kluwer signed a €600 million multi-currency roll-over credit facility with a five year maturity in 2015. The credit facility is for general corporate purposes. The multi-currency roll-over facility is subject to customary conditions, including a financial credit covenant. The credit facility covenant is defined as that the consolidated net senior borrowings (excluding fully subordinated debt) to ordinary EBITDA shall not exceed 3.5. In 2011, the Group is comfortably within the thresholds stipulated in the financial covenants of the credit facility.

### Other bilateral bank loans

In 2011, Wolters Kluwer signed for €116 million (\$150 million) short-term loans with a one year maturity. These loans are used for general corporate purposes.

There were no defaults or breaches on the loans and borrowings during 2011 and 2010.

## Financial Risk Management and Financial Risks <sup>note 24</sup>

The Group's activities are exposed to a variety of financial risks including currency, interest, liquidity, and credit risk. Financial risk identification and management for currency, interest, liquidity risk, and credit risk is carried out by the central treasury department (Corporate Treasury), whereby the treasury operations are conducted within a framework of policies and guidelines (Treasury Policy), which have been approved by the Executive Board/CFO and Audit Committee. The Treasury Policy may change on an annual basis in light of market circumstances and market volatility, and is based on a number of assumptions concerning future events, subject to uncertainties and risks that are outside the Group's control. A Treasury Committee, comprised of the Vice President Corporate Accounting, Controller Corporate Office, Vice President Corporate Treasurer, and representatives of the Corporate Treasury and Back-Office, meets quarterly to review treasury activities and compliance with the Treasury

Policy and reports directly to the Executive Board/CFO and the Audit Committee. The Treasury Back-Office reports deviations directly to the CFO and the Corporate Treasurer.

The Internal Audit Department reviews the Corporate Treasury Department on financial risk management controls and procedures of Corporate Treasury, both according to a fixed schedule and on an ad-hoc basis. Furthermore, the external auditor performs quarterly interim procedures on the transactions and hedging compliance as part of the annual audit. Corporate Treasury reports on a quarterly basis to the Audit Committee about its hedging status.

The Group's funding activities are carried out by Corporate Treasury, using a mixture of long-term capital market instruments and committed credit facilities. A variety of instruments is used to ensure optimal financial flexibility and capital efficiency. The borrowings, together with cash generated from operations, are on-lent or contributed as equity to the operating companies. The Group targets a net-debt-to-EBITDA ratio of approximately 2.5, however, the Group could temporarily deviate from this relative indebtedness ratio. At December 31, 2011, the net-debt-to-EBITDA ratio is 3.1 (2010: 2.7) and the net-debt-to-EBITDA-ratio, excluding Springboard costs is 2.7 (2010: 2.5).

All treasury activities – in particular the use of derivative financial instruments – are subject to the principle of risk minimization and are transacted by specialist treasury personnel. For this reason, financial transactions and risk positions are managed in a central treasury management and payment system. The Group does not purchase or hold derivative financial instruments for speculative purposes.

The Group's risk profile is defined and reviewed regularly. Although economic environment has become more challenging as a consequence of the turbulence on financial markets, the exposure to financial risks for the Company has not significantly changed, nor the approach to these risks.

#### Currency risk

The Group has identified transaction and translation risks as the main currency risks. The transaction risk exposure within individual Wolters Kluwer entities is considered to be immaterial. The prices that Wolters Kluwer charges its customers for products and services are mainly denominated in the customers' local currencies. Given the nature of the business, almost all related cost are also incurred in those local currencies. Derivative financial instruments to hedge transaction risks are therefore not frequently used.

Translation risk is the risk that exchange rate gains or losses arise from translating the statement of income, balance sheet, and cash flow statement of foreign subsidiaries to the Group's presentation currency (the euro) for consolidation purposes.

It is the Group's practice that material currency translation exposures are partially hedged by Corporate Treasury. Currency exposures which impact the consolidated balance sheet and statement of income by 10% or more are considered material. The translation exposure on the cash flow statement is (partly) mitigated by matching cash in- and outflows in the same currency. The Group's main translation risk is its exposure to the U.S. dollar. The following table details the Group's sensitivity on the Group's financials to a 1% weakening of the U.S. dollar against the euro.

Approximate impact of 1% decline of the U.S. dollar against the euro	2011	2010
Revenues	(20)	(19)
Ordinary EBITA	(5)	(4)
Operating profit	(3)	(3)
Ordinary net income	(3)	(3)
Profit for the year	(2)	(2)
Shareholders' equity at December 31	(22)	(19)
Ordinary free cash flow	(3)	(4)

In order to hedge its net investment in the United States (defined as total investment in both equity and long-term receivables from the U.S. operations), the Group had U.S. dollar forward contracts outstanding for a total notional amount of €155 million (\$200 million) at December 31, 2011.

The Group had U.S. dollar debt outstanding for a total notional amount of €469 million (\$607 million) at December 31, 2011 (2010: €510 million or \$681 million). The balance sheet cover is defined as the U.S. dollar forward contracts and U.S. dollar debt outstanding divided by its net investment in U.S. dollars. The U.S. dollar balance sheet cover is 18% (2010: 21%).

A part of the finance costs was swapped into U.S. dollar through the use of derivative financial instruments. Of the total finance costs in 2011, approximately 66% (2010: 21%) was payable in U.S. dollars and resulting currency results have been recognized in the statement of income. Based on the percentage of 66% for finance costs payable in U.S. dollars, the following sensitivity analysis can be made. An instantaneous 1% decline of the U.S. dollar against the euro from its exchange rate at December 31, 2011, with all other variables held constant, would result in a decrease of approximately €0.8 million of the finance costs (2010: approximately €0.3 million).

#### Interest rate risk

The Group is exposed to interest rate risk, mainly with regard to the euro and the U.S. dollar. The Group aims to mitigate the impact on its results and cash flow of interest rate movements, both by arranging fixed or variable rate funding and by possible use of derivative financial instruments. Currently the Group's interest rate position (excluding cash and cash equivalents) is almost fully fixed rather than floating; of the total interest portfolio (excluding cash and cash equivalents) approximately 12% per year-end 2011 (2010: 8%) was variable rate and 88% (2010: 92%) carried a fixed rate.

Assuming the same mix of variable and fixed interest rate instruments, an instantaneous increase of interest rates of 1% compared to the rates on December 31, 2011, with all other variables held constant, would result in an increase of approximately €3 million of the finance costs (2010: approximately €2 million).

#### Liquidity risk

The Group actively manages liquidity risk by maintaining sufficient cash and cash equivalents, and the availability to committed borrowing capacity. In order to reduce liquidity risk, the Group has established the following minimum requirements:

- Repayment of long-term debt should be spread evenly over time;
- Acquiring of funding to start at least one year in advance of all maturing debt or alternative committed funding should be in place;
- Minimum headroom of €500 million (sum of unused committed credit facilities, cash and cash equivalent, and receivable derivative financial instruments, minus other short-term loans, deferred (short-term) acquisition payments, (current payable) derivative financial instruments, and bank overdrafts).

Per December 31, 2011, the Group has access to the unused part of the committed credit facilities of €407 million in total (2010: €619 million) and has cash and cash equivalents of €295 million, (receivable) derivative financial instruments of €51 million, and a non-current divestment receivable of €8 million, minus other short-term loans, deferred (short-term) acquisition payments, bank overdrafts and (current payable) derivative financial instruments of in total €55 million. The headroom was €706 million at year-end 2011 (2010: €1,077 million). No property has been collateralized or in any other way secured under debt contracts.

#### Credit risk

Credit risk represents the loss that would be recognized if counterparties failed to perform as contracted.

#### Financial instruments and excess cash at financial institutions

The Group is exposed to credit risks due to its use of derivatives and because of excess cash deposited at banks.

It is the Group's practice to conclude financial transactions under ISDA (International Swap Dealers Association) master agreements. Cash is invested and financial transactions are concluded only with financial institutions with strong credit ratings (at least a credit rating of A-/A3). Furthermore, credit limits per counterparty are in place and are monitored periodically. At December 31, 2011, there were no material credit risk concentrations outstanding while the average weighted credit rating of counterparties was A+ (2010: AA). The aim is to spread transactions among counterparties. No credit limits were exceeded during the reporting period and management does not expect any losses from non-performance by these counterparties on current outstanding contracts.

### Trade receivables

The Group has a natural exposure to credit risk in its operational business. This exposure of the Group's operating companies to credit risk is inherently limited, as there is no customer who represents more than 1% of the Group's revenues and a substantial part of the transactions is prepaid by customers. The Group's operating companies actively monitor the solvency of their key accounts.

Trade receivables include an amount of €282 million (2010: €271 million) past due, but not impaired.

The aging analysis of trade receivables that are past due, but not impaired, is as follows:

Aging analysis of trade receivables	2011	2010
Past due up to 30 days	113	107
Past due between 30 and 90 days	68	71
Past due over 90 days	101	93
<b>Total past due, not impaired</b>	<b>282</b>	<b>271</b>

### Fair value of financial instruments

Fair value of financial instruments	December 31, 2011		December 31, 2010	
	Carrying value	Fair value	Carrying value	Fair value
Non-current note receivable	8	8	-	-
Trade receivables	960	960	934	934
Assets held for sale	81	81	-	-
Trade and other payables	(388)	(388)	(337)	(337)
Liabilities held for sale	(50)	(50)	-	-
Bonds	(1,481)	(1,632)	(1,480)	(1,635)
Private placements	(445)	(417)	(429)	(393)
Perpetual cumulative subordinated bonds	(225)	(219)	(225)	(219)
<i>Derivative financial instruments:</i>				
Non-current receivable	51	51	44	44
Current receivable	0	0	1	1
Non-current payable	0	0	0	0
Current payable	(13)	(13)	(12)	(12)
<b>Total derivative financial instruments</b>	<b>38</b>	<b>38</b>	<b>33</b>	<b>33</b>

The fair value has been determined by the Group based on market data and appropriate valuation methods/quotes.

Valuation methods include:

- Level 1: reference to quoted prices (unadjusted) in active markets for similar assets and liabilities;
- Level 2: inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data. The valuation method can be based on discounted cash flow analysis, or other instruments that are substantially identical. The fair value of outstanding bonds at the balance sheet date can deviate from the value at which they have been recorded in the balance sheet (the carrying value).

Financial instruments	2011		Level 1	Level 2	Level 3	2010
	Carrying value	Fair value				
<b>Assets</b>						
Non-current note receivable	8	8	-	8	-	-
Non-current derivatives receivable	51	51	-	51	-	44
Current derivatives receivable	-	-	-	-	-	1
<b>Total assets</b>	<b>59</b>	<b>59</b>	<b>-</b>	<b>59</b>	<b>-</b>	<b>45</b>
<b>Liabilities</b>						
Bonds 2003-2014 (in €)	699	735	735	-	-	747
Bonds 2008-2018 (in €)	746	855	855	-	-	845
Bonds 2008-2028 (in €)	36	42	-	42	-	43
Private placement 2008-2038 (in ¥)	199	179	-	179	-	160
Private placement 2010-2020 (in €)	246	238	-	238	-	233
Perpetual cumulative subordinated bonds (in €)	225	219	219	-	-	219
Long-term deferred acquisition payments	7	7	-	-	7	4
Other long-term loans	-	-	-	-	-	3
Current derivatives payable	13	13	-	13	-	12
Non-current derivatives payable	-	-	-	-	-	0
<b>Total liabilities</b>	<b>2,171</b>	<b>2,288</b>	<b>1,809</b>	<b>472</b>	<b>7</b>	<b>2,266</b>

The following table shows a reconciliation of long-term deferred acquisition payments and other long-term loans for fair value measures in level 3 of the fair value hierarchy:

Fair value hierarchy level 3	2011	2010
Balance at January 1	7	27
Arising from business combinations <sup>note 6</sup>	3	2
Releases against intangibles assets	-	(12)
Settlements/movements to short-term	(3)	(10)
<b>Balance at December 31</b>	<b>7</b>	<b>7</b>

### Hedge accounting

At year-end the outstanding derivative financial instruments qualify for hedge accounting under IFRS. To apply for hedge accounting requires the hedge to be highly effective. In 2011, the result recorded in the statement of income as a result of ineffectiveness of hedging is: cash flow hedge, €0 million and net investment hedge, €0 million.

### Sensitivity analysis

A sensitivity analysis on the derivative financial instruments portfolio yields the following results assuming an instantaneous 1% decline of the U.S. dollar and Japanese yen against the euro from their levels at December 31, 2011, and an instantaneous 1% increase of the U.S. dollar, Japanese yen, and euro interest rates respectively.

Sensitivity in millions	Hedged risk	Amount	Type instrument	Exchange rate movement	Interest rate movement
Fair value hedge	Fair value fluctuations due to movements in the applicable market benchmark interest rates	-	Interest rate swaps	-	-
Cash flow hedge	Changes in ¥ floating interest payments and ¥ exchange rates	¥ 20,000	(Cross currency) Interest rate swaps	(2)	(10)
Net investment hedge	Changes of the U.S. dollar net investments due to fluctuations of U.S. dollar exchange rates	\$200	Forward contracts	2	0

For the effective part of the hedge, the sensitivity of the hedging instrument (derivative) is offset by the sensitivity of the hedged item (for instance, the net investment in a foreign operation). The hedge effectiveness is measured at the inception, reporting, and maturity dates of the hedged item by using the dollar-offset method. The results of these effectiveness tests all satisfied the effectiveness criterion (between 80 and 125%) as defined in IAS 39.

The multi-currency roll-over credit facility and other bank loans are not included in this sensitivity analysis since these are not derivative financial instruments. However, of the total dollar denominated debt of \$400 million only \$350 million (\$470 million at December 31, 2010) serves as a net investment hedge at December 31, 2011.

## Employee Benefits <sup>note 25</sup>

Employee benefits	2011	2010
Pensions and post-employment plans	168	138
Other (post-) employment obligations	14	14
<b>Total</b>	<b>182</b>	<b>152</b>

### Provision for pensions and post-employment plans

The provisions for pensions and post-employment plans relate to defined benefit plans. The following weighted average principal actuarial assumptions were used to

determine the net periodic pension costs and post-retirement plans' expense for the year under review and defined benefit obligations at the balance sheet date.

Assumptions in %	2011	2010
<b>Pension schemes</b>		
Discount rate for pension obligations	5.1	5.2
Discount rate for net periodic pension expense	5.2	5.5
Expected return on plan assets	5.5	5.9
Expected rate of salary increases	3.0	3.0
<b>Post-employment plans</b>		
Discount rate for obligations	4.4	5.0
Discount rate for net periodic pension expense	5.0	5.6
Medical cost trend rate	3.0	3.0

The expected rates of return on individual categories of plan assets are determined by reference to relevant market indices. The overall expected rate of return on plan assets is based on the weighted average of each asset category. The average increase in salaries is based on the non-closed pension plans. Assumptions regarding future mortality experience are set based on actuarial advice and mortality tables generally accepted in the applicable countries.

Mortality assumptions for the most important countries are based on the following post-retirement mortality tables:

- Netherlands: projection table 2010-2060 (2009: 2005-2050);
- U.S.: 2011 Pension Protection Act ('PPA') Treasury Table, being the current standard mortality table; and
- U.K.: Self-administered pension schemes ('SAPS') (Year of Birth) – 1 year medium cohort projection 1% underpin.

Plan liabilities and assets	Pension plans		Post employment plans	
	2011	2010	2011	2010
<b>Plan liabilities</b>				
Fair value at January 1	932	879	61	54
Current service cost	6	6	2	2
Interest cost	47	47	3	3
Benefits paid by fund	(38)	(40)	(4)	(4)
Actuarial (gains)/losses	1	23	3	3
Contributions by plan participants	4	4	-	-
Other	(1)	(4)	-	0
Exchange rate differences	8	17	2	3
<b>Fair value at December 31</b>	<b>959</b>	<b>932</b>	<b>67</b>	<b>61</b>
<b>Plan assets</b>				
Fair value at January 1	971	885	0	0
Expected return on plan assets	53	51	-	-
Actuarial gains/(losses)	18	26	-	-
Benefits paid by fund	(38)	(40)	(4)	(4)
Contributions by the employer	8	32	4	4
Contributions by plan participants	4	4	-	-
Other	0	0	-	-
Exchange rate differences	6	13	-	-
<b>Fair value at December 31</b>	<b>1,022</b>	<b>971</b>	<b>0</b>	<b>0</b>
<b>Funded status</b>				
Unfunded/(funded) status at December 31	(63)	(39)	67	61
Unrecognized past service cost	4	5	5	6
Asset ceiling	135	89	-	-
Reclassification of Medicare Part D to financial assets	-	-	20	16
<b>Net liability at December 31</b>	<b>76</b>	<b>55</b>	<b>92</b>	<b>83</b>
<b>Pension cost</b>				
Current service cost	6	6	2	2
Interest cost	47	47	3	3
Expected return on plan assets	(53)	(51)	-	-
Amortization unrecognized past service cost	(1)	(1)	(1)	(1)
Plan amendments and curtailments	(1)	(2)	-	(1)
<b>Total pension costs</b> <small>note 9</small>	<b>(2)</b>	<b>(1)</b>	<b>4</b>	<b>3</b>

Post-employment plans consist of the post-retirement medical benefits plan in the United States, Canada and the Italian TFR ('Trattamento di fine Rapporto') plan.

The 2011 asset ceiling of €135 million (2010: €89 million) relates mainly to the pension schemes in the Netherlands and, to a lesser extent, in the UK. In these defined benefit plans the over-funding of the defined benefit plans cannot likely be recovered, based on the current terms of the plans, through refunds or reductions in future contributions.

The reclassification of the Medicare Part D subsidy of €20 million (2010: €16 million) refers to the U.S. Medicare Prescription Drug subsidy (see [Note 17](#)).

The pre-tax cumulative amount of actuarial gains/(losses) recognized in the Statement of Comprehensive Income is as follows:

Actuarial gains/(losses)	2011	2010
Position at January 1	(94)	(66)
Recognized in Other comprehensive income	(32)	(28)
<b>Cumulative amount at December 31</b>	<b>(126)</b>	<b>(94)</b>

The actual return on plan assets for the year ended December 31, 2011, amounted to a gain of €71 million (2010: a gain of €77 million).

The funded status for the years 2011-2007 and the related experience gains and losses over the years is as follows:

Funded status	2011	2010	2009	2008	2007
Present value of defined benefit obligation	(1,026)	(993)	(933)	(907)	(935)
Fair value of plan assets	1,022	971	885	817	976
<b>Funded/(unfunded) status</b>	<b>(4)</b>	<b>(22)</b>	<b>(48)</b>	<b>(90)</b>	<b>41</b>
Experience gains/(losses) plan assets	18	26	39	(177)	(30)
Experience gains/(losses) plan liabilities	4	9	0	(19)	(20)

The funded status of the pension plans in 2011 was mainly affected by lower interest rates resulting in higher valuation of the investments in bonds.

Experience adjustments are defined as all adjustments (like changes in plan populations and data corrections) other than changes of actuarial assumptions (differences between the current and the previous year's actuarial assumptions like changes in discount rate, mortality tables, indexation, and future salary rate increases).

The sensitivity for a 1% change in the discount rate is:

Sensitivity in millions	Medical cost	Gross service cost	Plan liabilities
Baseline	2	8	1,026
Discount rate -1%	2	10	1,185
Discount rate +1%	2	7	898

Gross service cost represents the annual accrual of liability due to another year of service, excluding any interest or offsetting employee contributions, and therefore differ from the current service cost, included in the calculation of the pension cost.

The actual medical cost trend rate in the United States exceeds the applied medical cost trend rate which is capped at 3% (2010: 3%) according to the plan rules. Consequently, the sensitivity for a 1% change in the assumed medical cost trend rate is nil.

The baseline gross service cost of €8 million (2010: €9 million) relates to the pension plans as well as the Italian TFR.

The overall expected rate of return on assets (EROA) for the year 2012 is 5.5% (January 1, 2011: 5.5%) and is based upon the long-term EROA per asset class. For equities, a long-term average weighted EROA of 7.7% (2010: 7.6%) is applied and for bonds an average weighted return of 4.5% (2010: 4.1%).

The Group's employer contributions to be paid to the defined benefit plan assets in 2012 are estimated at €19 million.

The actual proportion of plan assets held as equities and bonds as at December 31 in percentages is as follows:

Proportion of plan assets in %	2011	2010
Equities	29	34
Bonds	63	57
Other	8	9
<b>Total</b>	<b>100</b>	<b>100</b>

Plan assets do not include any financial instruments issued by the Group; nor do they include any property or other assets used by the Group.

## Provisions for Restructuring Commitments <sup>note 26</sup>

Provision for restructuring commitments	Spring-board	Acquisition integration	Restructuring	2011	2010
Position at January 1	9	1	0	10	10
Add: short-term commitments	17	1	6	24	36
Total at January 1	26	2	6	34	46
<b>Movements</b>					
Acquisitions through business combinations	-	-	2	2	2
Addition due to divestments of operations	-	-	2	2	2
Addition to Springboard/acquisition integration <sup>note 2</sup>	102	18	-	120	63
Total additions	102	18	4	124	67
Appropriation of provisions for restructuring	(61)	(11)	(3)	(75)	(80)
Transfer to liabilities held for sale	(1)	-	-	(1)	-
Exchange differences and other movements	0	0	0	0	1
<b>Total movements</b>	<b>40</b>	<b>7</b>	<b>1</b>	<b>48</b>	<b>(12)</b>
Total at December 31	66	9	7	82	34
Less: short-term commitments	(47)	(7)	(6)	(60)	(24)
<b>Position at December 31</b>	<b>19</b>	<b>2</b>	<b>1</b>	<b>22</b>	<b>10</b>

The majority of the provisions relate to severance programs, restructurings and onerous contracts.

## Capital and Reserves note 27

### Share capital

The authorized capital amounts to €143.04 million, consisting of €71.52 million in ordinary shares (nominal value of €0.12 per ordinary share) and €71.52 million in preference shares. The issued share capital consists of ordinary shares. The number of issued ordinary shares increased from 298.7 million per December 31, 2010, to 301.7 million per December 31, 2011. The 2011 increase in issued share capital was due to the issuance of 2010 stock dividend and the vesting of the 2008-10 LTIP plan.

The Company holds 5.1 million of shares in treasury at December 31, 2011 (2010: 0.1 million), which have not been cancelled; the increase is due to the €100 million share buy-back program in 2011. At December 31, 2011, the net number of shares outstanding is 296.6 million (2010: 298.6 million).

### Legal reserve participations

Legal reserve participations contain appropriations of profits of group companies, which are allocated to a legal reserve based on statutory and/or legal requirements. This reserve is not available for distribution.

### Translation reserve

Translation reserve contains exchange rate differences arising from the translation of the net investment in foreign operations. When a foreign operation is sold, exchange differences that were recorded in equity prior to the sale are recycled in the statement of income as part of the gain or loss on divestment. This reserve is not available for distribution.

### Hedge reserve

Hedge reserve relates to the effective portion of the change in fair value of the hedging instrument used for cash flow hedging and net investment hedging purposes. This reserve is not available for distribution.

### Treasury shares

Treasury shares are recorded at cost, representing the market price on the acquisition date. This reserve is not available for distribution. Treasury shares are deducted from Retained earnings.

In 2011 the Company executed a share buy-back program of €100 million. The company repurchased 7.2 million of ordinary shares under this program at an average stock price of €13.88.

Treasury shares are recorded at cost, representing the market price on the acquisition date.

### Dividends

Pursuant to Article 29 of the Articles of Association, and with the approval of the Supervisory Board, a proposal will be submitted to the Annual General Meeting of Shareholders to make a distribution of €0.68 per share in cash or in shares at a ratio to be determined and announced on May 11, 2012. Of the 2010 dividend of €0.67 per share, 63.7% was distributed as cash dividend (2009 dividend: 59.5%).

### Number of shares

For a reconciliation of average number of shares and earnings per share, see [note 4](#).

Number of shares in thousands	Number of ordinary shares		Number of treasury shares		Total outstanding shares	
	2011	2010	2011	2010	2011	2010
At January 1	298,659	292,799	(49)	(761)	298,610	292,038
Stock dividend	2,395	5,166	2,105	-	4,500	5,166
Repurchased own shares	-	-	(7,205)	-	(7,205)	-
Long-Term Incentive Plan	607	694	27	297	634	991
Stock options	0	0	20	415	20	415
<b>At December 31</b>	<b>301,661</b>	<b>298,659</b>	<b>(5,102)</b>	<b>(49)</b>	<b>296,559</b>	<b>298,610</b>

### Option preference shares

The Company has granted an option to purchase preference shares to the Wolters Kluwer Preference Shares Foundation (Stichting Preferente Aandelen Wolters Kluwer). The dividend on these shares would equal a normal market rate of return,

based on a weighted average of interest rate applied by the European Central Bank. Therefore, the fair value of the option is deemed to be zero.

## Share-based Payments note 28

### Long-Term Incentive Plan

In 2003, a new strategic vision was announced that focuses on value creation. As a result, a new incentive plan for Executive Board members and senior executives was implemented to align compensation with value creation. Under the plan, share options ceased to be awarded. Instead, Executive Board members and senior executives are awarded shares under the equity-settled Long-Term Incentive Plan (LTIP).

The performance period of the LTIP is three years at the beginning of which a base number of shares (norm pay-out) are conditionally awarded to each beneficiary.

For the conditional TSR awards that were awarded up to and including 2011 (including the LTIP 2008-10, 2009-11, 2010-12 and 2011-13) the pay-out of shares after three years fully depends on the Group's Total Shareholder Return (TSR) relative to a pre-defined group of 15 peer companies. Vesting of these conditional grants is subject to the non-market condition that the participant stays with the Group until the plan's maturity. The expense of the TSR based LTIP is recognized ratably in the statement of income over the performance period.

Actual awards at the end of the performance period will range anywhere from 0% to 150% of the norm pay-out. There will be no pay-out for the Executive Board Wolters Kluwer ends below the eighth position in the TSR Ranking, 150% for first or second position, 125% for third or fourth position, 100% for fifth or sixth position, and 75% pay-out for seventh or eighth position.

In 2011, the Annual general Meeting of Shareholders of Wolters Kluwer approved an additional performance condition based on Diluted Earnings per Share (EPS) at constant currencies for the LTIP awards to be made to the Executive Board, in addition to the existing performance condition based on Total Shareholder Return (TSR). This change only relates to the conditional LTIP awards granted to the Executive Board made in 2011 and future years; the terms and conditions of the LTIP awards to Senior Executives and other employees remained unchanged in 2011. As a consequence, for the LTIP grant 2011-13 to the Executive Board, the LTIP awards depend partially on the TSR performance (50% of the value of the conditionally awarded rights on shares) and partially on the EPS performance (50% of the value of the conditionally awarded rights on shares). The amount recognized as an expense in a year is adjusted to reflect the number of shares awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market conditions at the vesting date.

For the EPS related shares, there will be no pay-out if the performance over three years is less than 50% of the target. In case of overachievement of the target, the Executive Board members can earn up to a maximum of 150% of the conditionally awarded shares. See for more details [Remuneration Report](#).

In 2011, €16 million has been recognized within personnel expenses in the statement of income (2010: €16 million) related to the total cost of the LTIP 2009-11, 2010-12, and 2011-13.

#### LTIP 2010-12 and 2011-13

	Executive Board		Senior Executives	
	LTIP 2011-13	LTIP 2010-12	LTIP 2011-13	LTIP 2010-12
Fair value at grant date	12.12	11.08	14.67	13.46
Share price at grant date	16.40	15.30	16.40	15.30
Expected volatility	31%	31%	31%	31%
Expected life	3 years	3 years	3 years	3 years
Expected dividends	2%	2%	2%	2%
Risk free interest rate	1.25%	1.89%	1.25%	1.89%

**LTIP 2008-10**

The LTIP 2008-10 vested on December 31, 2010. On Total Shareholder Return (TSR) Wolters Kluwer ranked tenth relative to its peer group of 15 companies, resulting in a pay-out of 0% of the conditional base number of shares awarded to the Executive Board and a pay-out of 75% to the senior executives. As a result, 635,475 shares were released on February 24, 2011.

**LTIP 2009-11**

The LTIP 2009-11 vested on December 31, 2011. On Total Shareholder Return (TSR) Wolters Kluwer ranked eleventh relative to its peer group of 15 companies, resulting in a pay-out of 0% of the conditional base number of shares awarded to the Executive Board and in a pay-out of 50% of the conditional base number of shares awarded to senior executives. The shares will be released on February 23, 2012.

**LTIP 2009-11**

number of shares

Total grant	1,517,237
Forfeited in previous years	<u>(171,550)</u>
Shares outstanding at January 1, 2011	1,345,687
Forfeited and vested during year	(63,650)
Effect of 0% vesting based on TSR ranking Executive Board	(475,887)
Effect of 50% vesting based on TSR ranking senior executives	<u>(403,075)</u>
<b>Vested at December 31, 2011</b>	<b>403,075</b>

**LTIP 2010-12 and LTIP 2011-13**

LTIP 2010-12 and 2011-13	LTIP 2010-12	LTIP 2011-13	Total
Base numbers of shares at 100% pay-out	2010-12	2011-13	
Conditionally awarded grant 2010	1,499,358	-	1,499,358
Forfeited in previous years	<u>(56,637)</u>	-	<u>(56,637)</u>
Shares outstanding at January 1, 2011	1,442,721	0	1,442,721
Conditionally awarded grant 2011	-	1,430,187	1,430,187
Forfeited and vested in 2011	<u>(89,933)</u>	<u>(61,600)</u>	<u>(151,533)</u>
<b>Outstanding at December 31, 2011</b>	<b>1,352,788</b>	<b>1,368,587</b>	<b>2,721,375</b>

The fair value of each conditionally awarded share under the running LTIP grants, as determined by an outside consulting firm, for the Executive Board and for the senior managers of the Group was summarized as follows:

Fair value of conditionally awarded shares under each LTIP-grant	Executive Board		Senior Executives	
	Fair value (€)	Vesting (in %)	Fair value (€)	Vesting (in %)
LTIP 2011-13	12.12	-	14.67	-
LTIP 2010-12	11.08	-	13.46	-
LTIP 2009-11	9.13	0	11.27	50
LTIP 2008-10	14.71	0	18.49	75
LTIP 2007-09	14.55	75	17.91	100

The fair value of a conditionally awarded share under the LTIP 2011-13 increased compared to previous year, mainly as a result of the share price of Wolters Kluwer at January 1, 2011.

The fair value of the conditionally awarded shares under the LTIP 2011-13 grant to the Executive Board based on the Earnings per Share (EPS) vesting condition was €14.38.

#### Stock option plans

Early 2011, all remaining outstanding options were exercised, for a total value of €0.3 million (2010: €4.9 million) that was received by the Company. No stock option plans are outstanding at December 31, 2011 (2010: 20,000 options).

## Related Party Transactions <sup>note 29</sup>

The Company has a related party relationship with its subsidiaries (Wolters Kluwer nv has filed a list of the subsidiaries at the Trade Register in The Hague), equity-accounted investees, joint venture, the pension funds, and members of the Supervisory Board and the Executive Board. Related party transactions are conducted on an at arm's length basis with terms comparable to transactions with third parties. For transactions with key management reference is

made to [Note 31 Remuneration of the Executive Board and Supervisory Board](#).

#### Related party transactions

The Group has one joint venture accounted for under the proportionate share method in the consolidated financial statements of the Group. The revenues of this joint venture on a 100% basis amount to €13 million (2010: € 12 million).

Joint venture transactions	2011	2010
Sales of goods and services bought from joint venture	9	9
Services provided to joint venture	(3)	(3)
Net amounts payable	3	4

The Group has no significant transactions or outstanding balances with its equity-accounted investees other than its equity-interest holdings.

## Commitments and Contingent Liabilities <sup>note 30</sup>

### Leases

The Group leases a number of offices under operating leases. The leases typically run for a period of 3-10 years, with an option to renew the lease. Lease payments are increased to reflect market rentals. None of the leases include contingent rentals.

At December 31, 2011, annual commitments under rental and operational lease agreements amounted to €67 million (2010: €60 million). The average term of these commitments is approximately 4.8 years (2010: 4.5 years).

Non-cancelable operating lease rentals are payable as follows:

Non-cancelable operating lease rentals	2011	2010
Less than one year	19	20
Between one and five years	44	43
More than five years	31	41

Some of the leased property is sublet by the Group. Sublease payments of €3 million (2010: €3 million) are expected to be received during the following financial year. The Group has recognized a provision of €3 million related to these subleases (2010: €2 million).

Non-current assets include €1 million (2010: €2 million) relating to finance lease arrangements. The amount due within the first year is €1 million (2010: €1 million), the amount due in the second to fifth years is nil (2010: €1 million). The present value of the lease payments does not differ materially from the nominal value.

### Guarantees

At December 31, 2011, the Group has outstanding guarantees regarding royalty payments to societies during the coming years of €4 million (2010: €4 million).

The Group has issued formal guarantees for bank credit facilities for a total amount of €132 million (2010: €131 million) on behalf of a number of its foreign subsidiaries. At December 31, 2011, €40 million of these credit facilities had been utilized (2010: €1 million). At December 31, 2011, other bank guarantees had been issued at the request of the Company or its subsidiaries for a total amount of €8 million (2010: €8 million). These guarantees mainly relate to rent for real estate. In addition, parental performance guarantees to third parties have been issued for €14 million (2010: €2 million).

The Group has issued a guarantee on behalf of one of its foreign subsidiaries for an amount of €9 million (2010: €9 million).

### Legal and judicial proceedings, claims

The Group is involved in legal and judicial proceedings and claims in the ordinary course of business. Liabilities and contingencies in connection with these matters are periodically assessed based upon the latest information available, usually with the assistance of lawyers and other specialists.

A liability is accrued only if an adverse outcome is probable and the amount of the loss can be reasonably estimated. If one of these conditions is not met, the proceeding or claim is disclosed as contingent liability, if material. The actual outcome of a proceeding or claim may differ from the estimated liability, and consequently may affect the financial performance and position.

## Remuneration of the Executive Board and Supervisory Board <sup>note 31</sup>

The table below provides the accounting costs of the total compensation of the Executive Board recognized in the statement of income, including the cost recognized for share-based payments compensation:

For details on the Group's remuneration policy, see [Remuneration Report](#).

Remuneration costs for the Executive Board	Salary	Bonus <sup>1</sup>	Pension	Social security	Other Benefits	Share-based payments (LTIP) <sup>2</sup>	Tax gross up	2011	2010
in thousands of euros									
N. McKinstry, Chairman	1,023	1,115	25	14	259	2,839	(28)	5,247	5,533
B.J.L.M. Beerkens	622	625	132	8	25	1,060	-	2,472	2,470
J.J. Lynch, Jr.	481	387	18	18	26	749	112	1,791	2,016
<b>Total</b>	<b>2,126</b>	<b>2,127</b>	<b>175</b>	<b>40</b>	<b>310</b>	<b>4,648</b>	<b>84</b>	<b>9,510</b>	<b>10,019</b>

<sup>1</sup> Ms. McKinstry's compensation is €1,022,726. The bonus is calculated on a dollar denominated equivalent of total salary as: \$1,190,330 × 130.37% (equivalent to €1,114,823).

<sup>2</sup> LTIP share-based payments are based on IFRS accounting policies and therefore do not reflect the actual pay-out or value of performance shares released upon vesting.

The table below provides the 2011 remuneration of the members of the Executive Board that has actually been paid out in 2011 or will be paid in 2012; the vesting of the LTIP shares for the Executive Board resulted in no pay-out in 2011 and 2010:

Remuneration of the Executive Board based on actual pay-out	Salary	Bonus <sup>1</sup>	Pension	Social security	Other Benefits	Share-based payments (LTIP)	Tax gross up	2011	2010
in thousands of euros									
N. McKinstry, Chairman	1,023	1,115	25	14	259	-	(28)	2,408	2,755
B.J.L.M. Beerkens	622	625	132	8	25	-	-	1,412	1,427
J.J. Lynch, Jr.	481	387	18	18	26	-	112	1,042	1,341
<b>Total</b>	<b>2,126</b>	<b>2,127</b>	<b>175</b>	<b>40</b>	<b>310</b>	<b>-</b>	<b>84</b>	<b>4,862</b>	<b>5,523</b>

<sup>1</sup> Ms. McKinstry's compensation is €1,022,726. The bonus is calculated on a dollar denominated equivalent of total salary as: \$1,190,330 × 130.37% (equivalent to €1,114,823).

Social security costs paid by the Company in a year related to shares that were released under LTIP are included in the remuneration. The tax gross up relates to the tax expense that was paid by the Company in 2011 relating to tax equalization for salary and benefits per the contracts between the Company and Ms. McKinstry and Mr. Lynch.

The 2011 bonuses as presented above relate to the performance year 2011 and will be paid in 2012.

The 2011 pension contributions as presented above reflect the accrued pension cost for the financial year 2011.

## Long-Term Incentive Plan (LTIP) for Executive Board Members

### LTIP 2009-11

The LTIP 2009-11 vested on December 31, 2011. On Total Shareholder Return (TSR) Wolters Kluwer ranked eleventh relative to its peer group of 15 companies, resulting in a pay-out of 0% of the conditional base number of shares awarded to the Executive Board members.

LTIP 2009-11 number of shares	Outstanding at January 1, 2011	Deduction on conditional number of shares (100%)	Pay-out/ Vested December 31, 2011
N. McKinstry, Chairman	297,134	(297,134)	0
B.L.J.M. Beerkens	113,520	(113,520)	0
J.J. Lynch, Jr.	65,233	(65,233)	0
<b>Total</b>	<b>475,887</b>	<b>(475,887)</b>	<b>0</b>

### LTIP 2010-12 and LTIP 2011-13

The Executive Board members have been conditionally awarded the following conditional number of shares based on a 100% pay-out, subject to the conditions of the LTIP for 2010-12 and 2011-13, as described in the [Remuneration Report](#).

LTIP 2010-12 and 2011-13 base numbers of shares at 100% pay-out	Conditionally awarded TSR based shares LTIP 2010-12	Conditionally awarded TSR based shares LTIP 2011-13	Conditionally awarded EPS based shares LTIP 2011-13	Total conditionally awarded based shares December 31, 2011
N. McKinstry, Chairman	255,250	122,748	103,457	481,455
B.L.J.M. Beerkens	95,412	44,921	37,861	178,194
J.J. Lynch, Jr.	71,542	35,410	29,845	136,797
<b>Total</b>	<b>422,204</b>	<b>203,079</b>	<b>171,163</b>	<b>796,446</b>

The fair value of each conditionally awarded share under the running LTIP grants to the Executive Board members, as determined by an outside consulting firm, was as follows:

<b>Fair value of conditionally awarded shares under each LTIP-grant</b>	Fair value (€) of awarded TSR shares	Fair value (€) of awarded EPS shares	Vesting (in %)
LTIP 2011-13	12.12	14.38	-
LTIP 2010-12	11.08	-	-
LTIP 2009-11	9.13	-	0
LTIP 2008-10	14.71	-	0

The plans have a performance period of three years.

#### Shares Owned by Executive Board Members

At December 31, 2011, the Executive Board jointly held 178,100 shares (2010: 170,000 shares), of which 120,350 shares (2010: 112,500 shares) were held by Ms. McKinstry and 57,750 shares by Mr. Beerkens (2010: 57,500 shares).

Mr. Beerkens owns perpetual bonds issued by the Company for a nominal value of €158,000.

<b>Remuneration of Supervisory Board members</b> in thousands of euros	Member of Selection and Remuneration Committee	Member of Audit Committee	<b>Remuneration 2011</b>	Remuneration 2010
A. Baan, Chairman	•	•	74	57
P.N. Wakkie, Deputy Chairman	•		62	51
B.F.J. Angelici		•	59	44
B.M. Dalibard			52	42
L.P. Forman	•	•	67	51
S.B. James	•		57	44
H. Scheffers		•	62	47
<b>Total</b>			<b>433</b>	<b>336</b>

#### Shares Owned by Supervisory Board Members

The Supervisory Board members do not own shares in Wolters Kluwer.

## Accounting Estimates and Judgments <sup>note 32</sup>

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect the application of policies and reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expense. Actual results may differ from those estimates, and may result in material adjustments within the next financial year(s).

Policies that are critical for the presentation of the financial position and financial performance of the Group and that require estimates and judgments are discussed below.

### Revenue recognition

Revenue recognition requires estimates and judgments as far as it relates to estimating expected returns from customers and non-renewed orders. The Group recognizes a provision for these delivered goods or rendered services based on historical rates. If these rates exceed a certain threshold, revenue is recognized only upon receipt of the payment or the order. Revenue of a combination of goods and services is recognized based on estimates of the fair value of the individual components.

### Employee benefits

Wolters Kluwer has material defined benefit pension plans in some countries and also post-retirement medical plans in the United States. The net assets and liabilities of these plans are presented in the balance sheet of the Group. The costs related to these pension plans and post-retirement medical plans are included in the statement of income. The assets and liabilities as well as the costs are based upon actuarial and economic assumptions. The main economic assumptions are:

- discount rate;
- expected return on plan assets;
- asset mix of the fund;
- indexation ambition;
- average increase salaries; and
- medical trend rate.

For actuarial assumptions the Group uses generally accepted mortality rates (longevity risk). The withdrawal rates and retirement rates are based upon statistics provided by the relevant entities based on past experiences.

### Capitalized software

Software development costs are only capitalized if, and only if, the entity can demonstrate the technical feasibility of completing the software project so that it will be available for use or sale and if the entity can demonstrate that the project complies with the following requirements: the intention to

complete the development project; the ability to sell or use the end-product; demonstration of how the end-product will yield probable future economic benefits; the availability of adequate technical, financial and other resources to complete the project; and the ability to reliably measure the expenditure attributable to the project.

Capitalized software is amortized using the straight-line method over the economic life of the software, between 3 and 10 years. Capitalization of software is dependent on several assumptions as indicated above. While management has procedures in place to control the software development process, there is uncertainty with regard to the outcome of the development process.

### Useful lives of assets

The useful life has to be determined for assets such as publishing rights; other intangible assets, which mainly consist of self-developed software, and property, plant, and equipment. The useful lives are estimated based upon best practice within the Group and in line with common market practice.

### Valuation and impairment testing intangibles

Upon acquisition, the values of intangible assets acquired are estimated, applying the methodologies as set out under the accounting policies. These calculations are usually performed by an outside consulting firm in close cooperation with management of the acquiring entity. These calculations require estimates of future cash flows, useful life, and rate of return. The estimates are based upon best practice within the Group, and the methodology applied is in line with normal market practice.

IFRS 3 requires goodwill to be carried at cost with impairment reviews both annually and when there are indications that the carrying value of the goodwill may not be recoverable. The impairment reviews require estimates of a discount rate, future cash flows, and a perpetual growth rate. These estimates are made by management that manages the business with which the goodwill is associated. The future cash flows are based on Business Development Plans, prepared by management and approved by the Executive Board of the Group and covers a five years period.

The fair value of the assets, liabilities, and contingent liabilities of an acquired entity should be measured within 12 months from the acquisition date. For some acquisitions, provisional fair values have been included in the balance sheet and final valuation of the identifiable tangible

assets is still pending, but will be completed within the 12 months timeframe. Actual valuation of these assets, liabilities, and contingent liabilities may differ from the provisional valuation.

When a business combination agreement provides for an adjustment to the cost of the combination contingent on future events (earn-out), the Group includes initial recognition at fair value of that adjustment in the cost of the combination at the acquisition date if the adjustment is probable and can be measured reliably. The measurement will usually be based on estimates of future results of the business combination. Subsequent changes are recognized in the statement of income.

#### **Accounting for income taxes**

Corporate taxation is calculated on the basis of income before taxation, taking into account the local tax rates and regulations. For each operating entity, the current income tax expense is calculated and differences between the accounting and tax base are determined, resulting in deferred tax assets or liabilities. These calculations might deviate from the final tax assessments, which will be received in future periods.

A deferred tax asset is recognized for the carry-forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized. Management assesses the probability that taxable profit will be available against which the unused tax losses or unused tax credits can be utilized.

#### **Legal and judicial proceedings, claims**

For legal and judicial proceedings and claims against the Company and its operating entities, a liability is accrued only if an adverse outcome is probable and the amount of the loss can be reasonably estimated. If one of these conditions is not met, the proceeding or claim is disclosed as contingent liability, if material. The actual outcome of a proceeding or claim may differ from the estimated liability, and consequently may affect the actual result. The prediction of the outcome and the assessment of a possible loss by management are based on management's judgments and estimates. Management usually consults lawyers and other specialists for support.