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	(171,550)
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	(403,075)
Vested at December 31, 2011	**403,075**

LTIP 2010-12 and LTIP 2011-13

LTIP 2010-12 and 2011-13 Base numbers of shares at 100% pay-out	LTIP 2010-12	LTIP 2011-13	Total
Conditionally awarded grant 2010	1,499,358	-	1,499,358
Forfeited in previous years	(56,637)	-	(56,637)
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	(89,933)	(61,600)	(151,533)
Outstanding at December 31, 2011	**1,352,788**	**1,368,587**	**2,721,375**

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 note 29

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 note 30

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 note 31

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 in thousands of euros	Salary	Bonus[1]	Pension	Social security	Other Benefits	Share-based payments (LTIP)[2]	Tax gross up	**2011**	2010
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
Total	**2,126**	**2,127**	**175**	**40**	**310**	**4,648**	**84**	**9,510**	**10,019**

[1] 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).

[2] 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 in thousands of euros	Salary	Bonus[1]	Pension	Social security	Other Benefits	Share-based payments (LTIP)	Tax gross up	**2011**	2010
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
Total	**2,126**	**2,127**	**175**	**40**	**310**	**-**	**84**	**4,862**	**5,523**

[1] 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
Total	**475,887**	**(475,887)**	**0**

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
Total	**422,204**	**203,079**	**171,163**	**796,446**

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:

Fair value of conditionally awarded shares under each LTIP-grant	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.

Remuneration of Supervisory Board members in thousands of euros	Member of Selection and Remuneration Committee	Member of Audit Committee	**Remuneration 2011**	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
Total			**433**	**336**

Shares Owned by Supervisory Board Members
The Supervisory Board members do not own shares in Wolters Kluwer.

Accounting Estimates and Judgments note 32

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.