

SPEO
THE ELSEVIER PENSION FUND FOUNDATION

SPEO
THE ELSEVIER PENSION FUND FOUNDATION
Amsterdam

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36th Financial Year

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Note

Amounts in the Annual Report are in thousands of euros unless explicitly stated otherwise.

In this report whenever the masculine is used this shall include the feminine.

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1 RATIOS AND INDICATORS

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COMPARATIVE NUMBERS FOR THE LAST FIVE YEARS

Financial year	2007	2006	2005	2004	2003
Income and expenditure					
- gross investment result	1,477	51,915	66,118	27,874	26,412
- investment costs	(1,569)	8	(75)	(199)	(236)
- contrib. employers & members	23,342	24,710	21,739	17,798	11,948
- balance of transfer rights	(2,642)	(1,182)	(1,347)	(215)	527
- pension payments	(13,728)	(12,454)	(11,346)	(10,431)	(9,520)
- movements in the technical provision	10,777	(24,665)	0	0	0
- reinsurances	(194)	223	204	1,572	286
- other income and expenditure	(146)	(124)	(91)	(88)	(84)
Balance income and expenditure	17,317	38,431	75,202	36,311	29,333
Fund's capital					
- invested capital ²⁾	545,365	528,399	466,476	389,733	353,756
- other assets and liabilities	(1,575)	8,851	7,678	9,219	8,885
Fund's capital	543,790	537,250	474,154	398,952	362,641
Provision for pension liabilities (PP)	396,015	486,652	461,987	437,631	398,950
Market value funding ratio (FTK)	137.3%	132.1%	113.1%	109.8%	-
at an average actuarial interest rate	4.85%	4.26%	3.74%	4.40%	-
Capital requirement FTK	482,633	511,265	544,822	461,413	-
Capital requirement (% PP)	121.9%	105.1%	117.9%	105.4%	-
Average gross return on investments	0.2%	10.9%	16.6%	7.6%	8.0%
Contribution financial year ⁴⁾					
Actual contribution	17.0%	17.0%	13.0%	9.5%	6.0%
Cost-effective contribution	15.4%				
Supplement					
Supplement effective in the financial year	2.75%	1.25%	0.40%	0.00%	2.00%
Supplement not effective in the financial year	2.75%	1.25%	0.40%	0.00%	2.00%
Scheme A					
Number of members	2,832	2,959	3,052	3,170	3,255
Number of former members (II)	3,552	3,227	2,992	2,727	2,568
Number of pensioners (III)	1,041	958	882	822	767
Level of Maturity (II+III)/(I+II+III)	61.9%	58.6%	55.9%	52.8%	50.6%

¹⁾ Until 2005 these figures were based on the methodology of pension capital movements.

²⁾ Invested capital: until 2007 the invested capital included re-insurance.

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- 3) Calculated on the basis of a 3% actuarial interest rate until 2007. In 2007, calculated on the basis of the term structure of interest rates at the end of 2007.
- 4) Contribution for Scheme A, excluding contributions for the General Dependents Act (*Ανω*).
- 5) Since 1 April 2003, the Fund has not awarded regulatory indexation, however, it has granted an exceptional supplement.

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2 ANNUAL REPORT

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2.1 REPORT OF THE MANAGEMENT BOARD

Developments in the year under review

In the course of the year under review, a considerable number of decisions were taken in order that by the start of 2008 the requirements of the new Pension Act were being fulfilled. Amongst other things, this related to new agreements with the employer laid down in the Implementation Agreement, amendments to the Fund's Articles of Association, rules and regulations, and preparatory steps in respect of the introduction of the principles of good Pension Fund Governance.

The Pension Act

Since 1 January 2007 the Pension Act has gradually been phased in. The following have been effective since 1 January 2007: The Financial assessment Framework (FTK), the new surrender regime (for small pensions) and obligations in respect of the notification of contribution arrears.

Since 1 January 2008, the most important effective changes have been:

- the indexation matrix: this serves as a guideline for communication about the granting of a supplement;
- the fulfilment of the Fund's obligation to provide information, including a starting letter for new members and a uniform pension statement including information about pension rights and the granting of supplements;
- the amendment of members' rights, including a minimum age of entry of 21 years, the option to exchange a retirement pension for a higher partner's pension, the option to vary the level of the retirement pension;
- the amendment of the control: no approval rights / veto rights for the employer, and the introduction of pensioner participation in the decision-making process;
- the new Implementation Agreement between the Pension Fund and the employer, which is to replace the Financing Agreement;
- the rules for proper Pension Fund Governance, including the introduction of an Accountability Body and the tightening of internal supervision.

By 1 January 2008, the Pension Fund satisfied the requirements of the new Pension Act. The following documents have been drawn up in accordance with the requirements of the Pension Act:

- The Implementation Agreement: a new agreement has been concluded between the Fund and Reed Elsevier Nederland B.V.;
- The Fund's Articles of Association;
- Scheme A and Scheme B 2008;
- An Actuarial and Technical Business Report (*Actuariële en Bedrijfstechnische Nota*);
- A pension brochure (alias an starting letter).

Pension Fund Governance

Since the introduction of the Pension Act, pension funds have been instructed to vouch for the following:

- pension funds must have good administrative and bookkeeping procedures and an adequate internal control mechanism. Policies must be laid down in respect of the management of the risks being run and these policies must be executed responsibly;
- pension funds must ensure there is a systematic analysis of the integrity risk and, on the basis of this analysis, an integrity policy should be drawn up and implemented;
- pension funds must implement procedures and take measures to avoid any conflict of interests arising between the interests of the Fund and the personal interests of those involved with the Fund. A Code of Conduct should be compiled for the directors and employees of the Fund including rules and regulations to avoid conflicts of interest arising and to ensure no misuse or improper use is made of any information held by the Fund or the

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affairs of the Fund.

In April 2008, the Accountability Body was appointed, consisting of two members representing the employer, two members representing the active members and two members representing the pensioners. The 2008 annual report will contain the Accountability Body's first formal report on the policy executed by the Management Board.

Enhancing the expertise of the Pension Fund's Management Board

The umbrella organisations of the Dutch pension fund sector have announced their collective ambition to ensure managers of pension funds fulfil certain requirements in respect of their expertise.

In 2007, the members of the Management Board achieved a positive score in the Watson Wyatt test which is aimed at testing the expertise required. Whenever a decision is taken to appoint a new member of the Board, an assessment will be made to ascertain whether or not the new member lacks any of the requisite expertise.

The movement in the funding ratio in 2007

In 2007, the funding ratio (or solvency position) developed as follows: at the end March 2007 it was 134%, at the end of June 147%, at the end of September 146%, and 142% at the end of December. The funding ratio fell to 137% at the end of the year under review, after an indexation supplement of 2.75% was awarded, effective as at 1 April 2007.

Continuity analysis

Since 1 January 2007, pension funds are obliged to carry out not only a solvency test but also to have a continuity analysis undertaken. The solvency tests maps out the short-term risks. The continuity analysis will indicate the position of the Pension Fund and the efficacy of the means of control in the long-term. In September 2007, the Fund had the first continuity test carried out, so that members and former members could be given information about the granting of future supplements in the correct way. From now on, it will be compulsory to have this test carried out at least once every three years.

At the request of the Management Board, Mercer examined the policy framework which lays down the relationship between the various means of control at different levels of solvency. Hereby account was taken of the Fund's rising level of maturity.

The continuity analysis carried out in September 2007 produced the following results:

- the contribution of 17 percent of the salary sum will continue to be cost effective provided the long-term interest rate is higher than 2.79 percent;
- there is a 0.7 percent chance that the funding ratio will fall below 105 percent for three years in a row;
- the obligation to realise a recovery of the capital requirement within 15 years is achievable in every scenario;
- looking back at the developments in the salaries and purchasing power of the pensioners and non-contributory members over the period 1997-2006, a cumulative indexation of 96% of the cumulative wage index was achieved;
- the continuity analysis showed that over the period 2005-2020, a cumulative indexation of 95% of the cumulative wage index will be achieved.

End of the transitional arrangements

As at 31 December 2007, the transitional arrangement ended, consequently, since 1 January 2008 all the members have been subject to an index-linked career average pension scheme.

Indexation

In January 2008, the Management Board decided the pension rights and the pension being paid out could be increased by the Collective Labour Agreement wage increase of 2.75 percent, effective as at 1 April 2007. After awarding this increase, the funding ratio fell to 137%.

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Indexation label

The important points of departure of the indexation label to be implemented are:

- all the pension executors must participate;
- it must be clear that the indexation label only says something about the quality of the indexation and nothing about the other elements of the pension scheme;
- it must provide some information about the expectation in respect of the average indexation for the coming fifteen years.

The introduction of the indexation label has been delayed until 1 July 2008. From 1 January 2009, it will be obligatory to include the indexation label within the standard pension statement.

Investment management

In the course of 2007, the investment management was outsourced to external investment managers. During the selection process the investment committee was advised by Mercer. The legality of the contracts with the investment managers was checked by Freshfields. The contracts may be terminated immediately and at no cost to the Fund. Other conditions apply to the real estate contracts.

In March 2007, the investment management of the fixed interest-bearing securities was transferred to two investment managers, namely Aberdeen and Fidelity. This relates to two Liability Driven Investment (LDI) mandates, the intention of which is to reflect the structure of the obligations as far as this is possible.

In respect of the marketable securities, the decision was taken to opt for two world mandates with a regional division corresponding to the MSCI World All Country index including Emerging Markets. The exchange rate risk of the non-euro investments has largely been hedged. In 2007, the investment management of the share portfolio was transferred to AllianceBernstein and JPMorgan. The Kas Bank is responsible for the consolidated and objective monthly reports.

The Management Board has decided to invest 20 million euros in Aberdeen's European Balanced Property Fund and 40 million euros in JPMorgan's European Property Fund. The contracts in this respect were concluded in December 2007. It is expected that these investments will be made in 2008.

Socially responsible investments

When outsourcing the investment management, it was decided investments in any companies involved in landmines and/or cluster-bombs were to be excluded. A list of excluded companies ('restricted list') has been handed over to the investment managers.

Increasing the payment to those deemed completely unable to work

On 1 July 2007, the payments being made to those who are completely and permanently unable to work was raised from 70% to 75% of the daily earnings.

Changes to the Board of Management and the Fund's employees

The following Board members resigned in 2007: Hans Laeven, who emigrated to the United States, and Rob Kolkman, who emigrated to Australia.

On 1 January 2008, Fokko Covers was appointed Director of the Fund and for this reason the chairmanship of the Management Board was transferred to Jan Vos.

Jaap Schepen, Martin Tanke and Jurgen Stoffer were appointed members of the Management Board. Jaap Schepen was also appointed deputy chairman.

On 1 January 2008, Jan Hemels retired as Director of the Fund due to having reached retirement age. Jan was chairman of the Management Board for 15 years and Director of the Fund for 8 years. We would like to thank him for all his dedication and involvement throughout the years.

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Developments after the end of the year under review

Disinvestment of Reed Business

On 21 February 2008, Reed Elsevier made known its intention to sell the activities of Reed Business. It is anticipated that the sale will take place in the course of 2008. Reed Business represents more than 50% of the active members within the Netherlands.

In March 2008, the SPEO Board of Management considered how the sale of Reed Business would affect the Pension Fund. The consequences of the sale on the future pension situation will be very dependent on the outcome of the sales process.

The Board of Management have formulated two points of departure which should be pivotal during the sales process, those being:

- Maintaining the quality of the pension scheme: the Management Board should be in a position to supervise the fact that the quality of the pension rights of members, pensioners and dormant members is not negatively influenced by the acquisition - including expectations in respect of indexation and future contributions.
- Balancing the promotion of interests: the Management Board should be able to monitor whether or not the interests of active members, dormant members and pensioners are being promoted in a balanced fashion. This applies both to the members from Reed Business as those from Elsevier, Lexis Nexis and Reed Elsevier Nederland.

The Board of Management has held discussions with the employer in order to guarantee the interests of the Fund and its members.

Consequences of the credit crisis

In the first quarter of 2008, SPEO's investment results were strongly influenced by the effects of the credit crisis. The value of the investments in shares fell by at least 15% in this period whilst, in the same period, the interest rate fell from 4.85% to 4.63% negatively effecting the funding ratio. Moreover, it transpired that during this first quarter, the external investment managers underperformed in comparison to the benchmark. The cumulative effect of all this contributed to the Fund's funding ratio having fallen from 137% to 120% by the end of March 2008. At the end of March the required funding ratio was 119%, so there is no question of there being a reserve shortfall. The effect of the credit crisis has been to increase the volatility of the financial markets significantly.

Both the Board of Management and the Investment Committee are devoting attention to the fall in the funding ratio and the underperformance of the external investment managers. Measures to reduce the risk profile of the investments even further are being considered.

2.2 FINANCING THE PENSION SCHEMES

The Pension Fund implements the following schemes:

- Pension Scheme A (basic pension scheme).
- Pension Scheme B (supplementary incapacity insurance [*excedent-WAO*] scheme).
- Pension Scheme C (pre-pension scheme based on the Collective Labour Agreement for the book and journal publishing sector [*CAO Boeken- en Tijdschriftuitgeverijbedrijf*] and the Collective Labour Agreement for trade journal journalists [*CAO Vaktijdschriftjournalisten*]).
- Pension Scheme D (pre-pension scheme based on the Collective Labour Agreement for Elsevier's Educational and Advisory Division [*CAO Elsevier Opleiding en Advies*]).

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- Pension Scheme E (pre-pension scheme based on the Collective Labour Agreement for popular magazine journalists [*CAO Opiniweekbladjournalisten*] and the Collective Labour Agreement for current affairs magazine journalists [*CAO Publiekstijdschriftjournalisten*]).

The pension schemes are financed separately.

2.2.1 PENSION SCHEME A (BASIC PENSION SCHEME)

The basic pension scheme is an index-linked career average salary scheme.

Until 30 June 2004, a final salary scheme was applicable based on years of service. For those who were members of this scheme on 30 June 2004, a transitional arrangement was effective until 31 December 2007. If, in the period from 1 July 2004 until 31 December 2007, the pension accrual on the basis of the final salary scheme was higher than on the basis of the career average salary scheme, an extra right to a retirement pension was acquired equal to the difference. As at 31 December 2007, the pension rights on the basis of the transitional arrangement were fixed.

At the start of 2007, the way in which the contributions were to be calculated was changed. With the help of an ALM study it was determined that an average contribution of 17% of the salary sum would cover the costs. It is also anticipated that this contribution will be sufficient to cover the majority of the costs of indexation. The Board of Management may decide to grant a reduction on the level of contributions if the funding ratio is higher than 150%.

The contributions are divided between the employers and members in the ratio 70/30. The members' contributions are withheld from the members' salaries by the employers. The employers then transfer these withheld contributions to the Pension Fund. The pension contribution has developed in the following way over the last five years:

Year	Actual contribution	Cost-effective contribution
2003	6.0%	
2004	9.5%	
2005	13.0%	
2006	17.0%	
2007	17.0%	15.4%

From the start of 2007, the cost-effective contribution must be determined within the framework of the Pension Act. The cost-effective contribution is equal to the actuarial contribution increased by the supplement prescribed by the Pension Act. In addition, the indexation is to be financed primarily from the contributions, this part of the indexation is also included in the cost-effective contribution.

The Pension Fund does not make use of the system of cushioned contributions.

Pension Scheme A also includes the cover for a gap in the Surviving Dependents Act (*Anw-hiaat*). In the event of the death of a member, the member's partner will receive a minimum payment of €8,888 p.a. provided the partner is younger than 65 years of age; the partner will continue to receive the pension until he reaches the age of 65. The contribution for this insurance is 0.7% of the pensionable salary up to a maximum of € 122 p.a..

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2.2.2 PENSION SCHEME B (SUPPLEMENTARY INCAPACITY WAO/WIA SCHEME)

The supplementary incapacity insurance (WAO /WIA, where WAO = Incapacity Insurance Act; and WIA = Employment and Income according to Capacity for Work Act) is a pension provision which provides an income to members with an income higher than the maximum income by virtue of the WIA (in 2007 € 45,017). In the event of complete incapacity, the payment made will be equal to 75% of the annual salary that exceeds the maximum WIA salary. In respect of members who are partially incapacitated, the payment will be calculated proportionally.

In 2007, the contribution for Scheme B was set at 0.42% (2006: 1.19%) of the basis of the contribution (= annual salary less € 45,017). The members paid 0.18% (2006: 0.51%).

The Board of Management has decided to reduce the contribution due to the existence of sufficient buffers and the expectation that there will be a reduction in the number of new people receiving payments by virtue of the WIA.

2.2.3 PENSION SCHEMES C, D AND E

The Pension Schemes C, D and E regulated the accrual of pre-pensions. As at 1 January 2006, the accrual of pre-pensions was terminated - other than those accrued on a non-contributory basis by people on incapacity, to the extent and as long as their incapacity continues.

The accrued pre-pension rights will remain until the age of pre-pension retirement is reached. For Scheme C, the pre-pension age is 61, whilst it is 63 for Scheme D, and 62 for Scheme E.

Until 1 April 2007, members were given the opportunity to transfer the value of their pre-pension accruals into a Life Course Plan account. Only limited use was made of this option (€1,557).

2.3 BALANCE SHEET, TECHNICAL PROVISIONS AND ADEQUACY TEST

2.3.1 BALANCE SHEET AND PROVISION FOR PENSION LIABILITIES

At the end of 2007, the provision for pension liabilities (PP) amounted to € 396,015 (2006 € 486,652). In the opinion of the actuary there is no question of either a cover shortfall or a reserve shortfall.

For an assessment of the financial position of the Fund, the total of all the schemes is considered. The value of the accrued pension obligations is calculated in the hypothetical situation that, as of 31 December 2007, all the employers linked to the pension fund would have discontinued their business. In this hypothetical situation, no more rights would be accrued and no more premiums would be received.

	Provision for pension liabilities	
	2007	2006
Pension Scheme A	381,334	466,649
Pension Scheme B	1,294	1,633
Pension Scheme C	11,990	16,426
Pension Scheme D	945	1,338
Pension Scheme E	452	606
Total	396,015	486,652

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2.3.2 DESIRED CAPITAL IN RESPECT OF THE ADEQUACY TEST

On 1 January 2007, the Actuarial Principles for Pension Funds were replaced by the Financial Assessment Framework (FTK). The adequacy test is based on the FTK.

The financial position of the Pension Fund is represented in the table below:

	31/12/2007
- Shares	278,342
- Real estate	17,157
- Fixed interest-bearing securities	249,866
- Accruals	(1,575)
Fund's capital	543,790
Provision for pension liabilities	396,015
Funding ratio (in %)	137.3%

The FTK-test differentiates between a minimum capital requirement and a capital requirement. To cover the costs and the risk that members will live longer than expected, the Dutch Central Bank (DNB) requires a reserve for general risks of 5% of the technical provision. This is equivalent to a reserve of € 19.8 million.

The minimum funding ratio required is 105% (100% plus the reserve for general risks of 5%). The actual funding ratio is 137.3%. Consequently, there is no question of a cover shortfall.

Reserve position

In addition to a funding ratio of 105%, the DNB requires there to be a reserve offering protection against adverse economic developments. This capital requirement is the minimum capital requirement which, in conformity with the FTK model, ensured that the chance of a shortfall existing at the end of 2007 was lower than 2.5%. The capital requirement was approximately 21.9% of the technical provisions, that being € 86.618.

On the basis of the FTK the reserve position at the end of 2007 was:

	31/12/2007	Funding ratio
Capital available	543,790	137.3%
less: provision for pension liabilities (FTK based)	396,015	100.0%
Less: minimum capital requirement (5%)	19,801	5.0%
Funding level	127,974	32.3%
Less: capital requirement (excl. minimum capital requirement)	66,817	16.9%
Reserve surplus	61,157	15.4%

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The above table demonstrates that, in line with expectations, the Fund has sufficient capital to cover the nominal pension rights and to withstand adverse economic developments in any year (in conformity with the FTK points of departure). There is no question of a reserve shortfall.

2.3.3 DIVIDING THE PROFIT AND LOSS ACCOUNT AND BALANCE SHEET INTO SCHEMES

The Fund executes the Pension Schemes A, B, C, D and E. The division of the results are shown below:

Income and expenditure	Scheme A	Scheme B	Scheme C	Scheme D	Scheme E	Total
Investment income	(89)	0	(3)	0	0	(92)
Contributions	23,200	142	0	0	0	23,342
Balance of transfers	(904)	0	(1,676)	(10)	(52)	(2,642)
Payments	(12,991)	(202)	(242)	(290)	(3)	(13,728)
Reinsurances	(223)	29	0	0	0	(194)
Changes to PP	9,255	75	1,289	115	43	10,777
Other income and expenditure	(142)	0	(4)	0	0	(146)
Result 2007 financial year	18,106	44	(636)	(185)	(12)	17,317
<i>Result 2006 financial year</i>	<i>36,669</i>	<i>649</i>	<i>1,075</i>	<i>(1)</i>	<i>39</i>	<i>38,431</i>

PP end of 2007	381,334	1,294	11,990	945	452	396,015
PP end of 2006	466,649	1,633	16,425	1,338	607	486,652

2.4 PENSION INCREASES

From year to year, the Management Board is authorised to make a decision regarding the indexation of the (vested) pension rights already accrued and the pensions being paid out. The aim of the Board is to index the pensions being paid out and the (vested) pension rights in line with structural increases of the gross monthly salary by virtue of the Collective Labour Agreement (CAO) for the Book and Journal publishing sector and with retrospective effect to the date on which these increases were awarded. The Pension Fund has not reserved any money for future increases of the accrued rights and pensions being paid out. Indexation is conditional and is primarily financed by a supplement to the contribution and, for the rest, by the excess return on investments. The expectation is that the future increases will be in line with the regulatory increases. The increases may, however, vary from year to year.

Below is an overview of the increases to pensions being paid out and the pension rights of former members:

Date	CAO increase	Pension increase	(exceptional supplement)
1/04/2003	2.00	2.00	
1/10/2005	1.25	0.40	
1/04/2006	1.25	1.25	
1/04/2007	2.75	2.75	

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2.5 INVESTMENT POLICY AND RESULTS

2.5.1 OUTSOURCING INVESTMENT MANAGEMENT

The transformation of the investment process was tackled enthusiastically in the year under review. Consequently, there is now a better balance between the policies on contributions, investment management and indexation.

- In March 2007, the fixed interest-bearing securities were transferred to two external investment managers, Fidelity and Aberdeen, whereby each acquired half of the portfolio of fixed interest-bearing securities. In this context, the option chosen was for the so-called Liability Driven Investment (LDI) mandates. By making this choice, the value of the investments will develop in a way which corresponds better to the scope of the Fund's obligations. As a result the duration has been extended to almost 16 years with the benchmark being a basket of Lehman-swaps, which reflects the structure of the obligations. This has reduced the interest rate risk considerably.
- In June 2007, the share portfolio was also transferred to two external investment managers, JP Morgan and Alliance Bernstein, each managing half of the share portfolio. The option chosen was for diversification from merely European shares to a share portfolio with a global spread. In general, wider diversification results in greater stability and higher returns. In order to minimise the exchange rate risk as far as possible, the MSCI World All Countries Euro Hedged benchmark has been chosen. Consequently, the adverse effects of the falling dollar have been considerably reduced.
- At the end of 2007, contracts with Aberdeen and JP Morgan were signed in respect of the investment of 10% of the capital in two European real estate funds. The monies necessary for these investments will be called in by the two investment managers in 2008.
- In 2007 the administration of the investments was transferred to the Kas Bank, in addition certain resultant duties were also transferred, these duties include measuring the performance and monitoring the compliance of the external investment managers; that is to say checking on a day-to-day basis that the investment mandates are being adhered to.

<i>Overview of the contractual mandates with investment managers</i>				
Portfolio manager	Type of mandate	Benchmark	Amount (€ million)	Date
Aberdeen	LDI	Lehman-LDI	125	March 2007
Fidelity	LDI	Lehman-LDI	125	March 2007
Alliance Bernstein	Global Equity	MSCI World AC ¹⁾	140	June 2007
JP Morgan	Global Equity	MSCI World AC ¹⁾	140	June 2007
Aberdeen	Real Estate Europe	IPD Europe	20	Dec 2007
JP Morgan	Real Estate Europe	IPD Europe	40	Dec 2007

¹⁾ MSCI World All Countries Euro Hedged

Strategic investment mix

On the basis of an ALM study carried out half way through 2006, a new strategic investment mix was determined. The option chosen was for a gradual transfer from the old to the new investment mix. Consequently, the situation in 2007 was as shown below.

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<i>Development of the strategic investment mix</i>			
Category	Strategic mix Old	Strategic mix December 2007	Strategic mix new
Shares	60%	47.5%	37.5%
Fixed interest-bearing securities	35%	47.5%	47.5%
Real estate	5%	5%	10%
Raw materials	0%	0%	5%
Total	100%	100%	100%

Socially responsible investments

When outsourcing the investment management, it was decided investments in any companies involved in landmines and/or cluster-bombs were to be excluded. A list of excluded companies ('restricted list') has been handed over to the investment managers. The voting policy at shareholders' meetings has been outsourced to the investment managers. Voting behaviour will be reported on regularly.

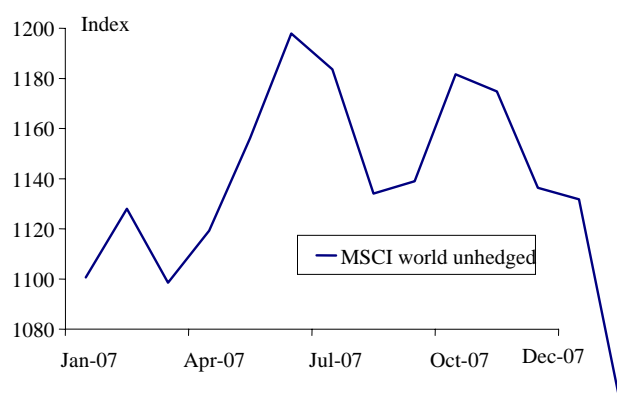
In order to avoid any semblance of use being made of insider knowledge, it has been decided that no investments will be made in Reed Elsevier or any affiliated undertakings.

2.5.2 INVESTMENT RESULTS

Financial markets in 2007

In 2007, there was still a question of boom conditions. The recovery of the European economies flourished. The expansion of the emerging market economies such as China continued to grow rapidly. Only the American economy showed signs of a weakness in the second half of the year, particularly in the housing market. Consequently, mortgages which had been granted too liberally could no longer be repaid easily. Depreciation on these so-called sub-prime mortgages caused huge losses to financial institutions bringing about global unrest in financial markets. The Central Bank of America reacted by lowering the interest rate, whilst the European Central Bank had to pump extra liquidity into monetary transactions in order to combat the scarcity of credit. In the meantime, the price of oil briefly rose to a record level of \$100 per vat. The high oil price was one of the reasons causing inflation to rise to 3% in the Eurozone. All in all, it was a very turbulent investment year. On balance, the majority of the developed world's stock exchanges ended the year with a positive result. In particular, the emerging markets recorded an excellent return despite the weakened dollar.

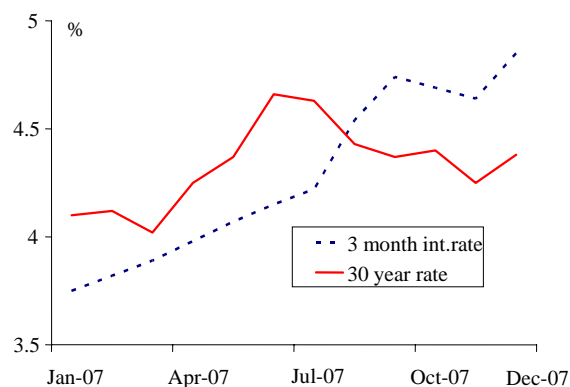
Graph 1: Share price index movements



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Graph 2: Interest rate movements



In 2007, corporate bonds were under pressure. In the first six months of 2007 the mood was one of economic growth and higher inflation, as a result of which the 10-year interest rate rose from 4.1% to 4.7%. In the second half of 2007, the turbulence in the financial markets resulted in the Federal Reserve lowering the interest rate and in a flight into bonds, which cancelled out the earlier interest rate rise. The short-term interest rate in the Eurozone continued to rise throughout the year, resulting in an inverse interest rate curve. Corporate bonds, in particular, came under fire as a result of the steep rise in the credit spreads. After a number of years of exceptionally good returns, real estate shares came under pressure, so that the premium on top of the intrinsic value was considerably reduced. Nevertheless, the Fund strived to expand its position in indirect real estate due to the desired risk spread within the marketable securities.

Funding ratio movements

In the first half of 2007, movements in the funding ratio were very favourable. In addition to good investment results, the increase in the interest rate meant that the present value of the obligations was lower. However, in the second half of 2007, the credit crisis had a negative effect on the funding ratio. On balance, the funding ratio at the end of 2007 was 142%. At the start of 2008, the Management Board decided to index the pension rights: after awarding an increase of 2.75% backdated to 1 April 2007, the funding ratio fell to 137%.

<i>Funding ratio movements</i>					
	2006	Q1 2007	Q2 2007	Q3 2007	Q4 2007
Market interest rate (term structure of interest rates)	4.3%	4.4%	4.9%	4.8%	4.9%
Capital of the Fund (€ million)	537	539	547	557	545
Pension obligations (€ million) ¹⁾	407	402	374	382	385
Funding ratio ²⁾	132%	134%	147%	146%	142%

¹⁾ Pension obligations at market value on the basis of the term structure of interest rates

²⁾ Funding ratio prior to awarding indexation

In September 2007, a continuity analysis was carried out which demonstrated that the tracking error of the Fund was 7.9%. This meant that the Fund was just within the range prescribed by the policy framework, that being 6.4 - 8.0% given a funding ratio of 140% and higher before awarding indexation.

Gross investment results

The results of the developments in the financial markets, sketched above, and the investment policy have resulted in an investment return of 0.2%.

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<i>Investment results</i>		
Performance	2007	2006
<i>Direct investment income</i>	21,441	19,083
<i>Indirect investment income</i>		
Price differences realised	11,243	2,086
Price differences unrealised	(31,207)	30,746
Gross investment result	1,477	51,915
In % of average capital invested	0.2%	10.9%

Attribution analysis

<i>Attribution analysis</i>			
Investments	Portfolio Return	Benchmark Return	Difference
Portfolio	0.2%	1.2%	(1.0%)
Allocation effect			0.5%
Selection effect			(0.9%)
Foreign exchange effect			(0.5%)

Notes to the attribution analysis:

- The allocation effect is caused by the actual portfolio composition (investment categories) deviating from the benchmark portfolio composition. In 2007, there was a question of a relative preponderance (over weighting) of shares at the expense of fixed interest-bearing securities, as well as a deficiency (under weighting) of real estate shares. These positions had a favourable effect of 0.5%.
- The selection effect is the result of an over or under weighting of individual items within a specific investment category in comparison to the benchmark. Investments in corporate bonds and, in particular, in those of financial institutions within the LDI mandates had a negative effect on performance of 0.9%.
- The exchange rate effect is caused by deviations in exchange rates in comparison to the benchmark. The exchange rate risk is predominantly hedged, however, there is still an exchange rate risk in investments in a number of emerging markets. The appreciation of the euro compared to these currencies resulted in an under-performance of 0.5%.

<i>5 year overview</i>			
Year	Return SPEO	Benchmark return incl. allocation effect	Relative performance
2007	0.2 %	1.2 %	(1.0 %)
2006	10.9 %	8.3 %	2.6 %
2005	16.6 %	17.9 %	(1.3 %)
2004	7.6 %	7.2 %	0.4 %
2003	8.0 %	7.7 %	0.3 %
5 year average	8.7 %	8.5 %	0.2 %

The return can be specified as follows:

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<i>Return on active investments</i>		
	2007	2006
Shares	8.4 %	18.7 %
Bonds	(8.2 %)	(0.7 %)
Real estate shares	(12.7 %)	47.3 %
Weighted average	0.2 %	10.9 %

Tracking error

For the entire portfolio, the maximum permissible tracking error in relation to the obligations has been made dependent on the funding ratio. For 2007, this deviation was set within a range of 6.4 - 8% in respect of the obligations.

With the help of small deviations in respect of the benchmark, an attempt is made to generate an extra return. For shares the maximum tracking error is 7%, and for fixed interest-bearing securities it is 3% in comparison to the applicable benchmark for the relevant categories. These limits have been laid down in the investment mandates. In 2007, the external managers remained within these mandates.

2.5.3 PORTFOLIO COMPOSITION

The portfolio composition is as follows:

<i>Portfolio composition</i>			
	End 2007	%	Strategic mix 2007
Shares	278,342	51.0%	47.5%
Real estate shares	17,157	3.2%	5.0%
Fixed interest-bearing securities	249,866	45.8%	47.5%
Invested capital	545,365	100.0%	100%

<i>Itemised income</i>			
	2007		2006
<u>Shares</u>			
Dividend	8,809		8,737
Price differences	<u>4,353</u>		<u>38,686</u>
		13,162	47,423
<u>Real estate funds</u>			
Dividend	757		621
Price differences	<u>(3,583)</u>		<u>5,020</u>
		(2,826)	5,641
<u>Bonds</u>			
Interest	10,472		9,423
Price differences	<u>(14,588)</u>		<u>(10,874)</u>
		(4,116)	(1,451)

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<u>Derivatives</u> ¹⁾			
Interest	401		
Price differences	<u>(6,146)</u>	(5,745)	
Interest liquid assets		<u>1,002</u>	<u>302</u>
Gross investment result		1,477	51,915
<u>Miscellaneous returns/costs</u>			
Usufruct securities	359		536
Custodial/transition costs securities	<u>(361)</u> ²⁾		<u>(131)</u>
		(2)	405
<u>Costs of investment management</u>			
Portfolio management	(1,231)		(306)
Study of the new structure	<u>(336)</u>		<u>(91)</u>
		<u>(1,567)</u>	<u>(397)</u>
Investment result including investment costs		(92)	51,923

¹⁾ Derivatives are only held by the investment managers in order to (a) lower the level of risk of the investment portfolio, (b) bring about tactical changes to the portfolio in an efficient way, and (c) hedge exchange rate risks defensively by means of foreign exchange transactions. The negative result was, primarily, the consequence of the higher interest rate, in contrast the technical provision fell.

²⁾ Including the transition costs of the share portfolio on 29 June 2007.

The negative price differences of € 19,964 shown above includes a negative foreign exchange rate difference of € 7,006.

2.6 RISKS

2.6.1 INVESTMENT RISK

In 2006 an Asset Liability Management study was carried out. On the basis of this a strategic investment mix was established taking account of an acceptable combination of the net-contribution level, the contribution volatility, the chance of a funding shortfall and the chance of (complete) indexation being awarded. To hedge the Fund's interest rate risk, the option chosen was to invest the fixed interest-bearing securities in a Liability Driven Investment (LDI) mandate whereby the duration of the investments are - within specified limits - to be brought in line with the obligations. In addition, a decision was taken to limit the exchange rate risk as much as possible. The aim of the investments in shares is to ensure that, in the long-term, excess returns will help the Fund realise (part of) its indexation ambition.

The Fund's investment management has been outsourced to external investment managers. Mandates have been agreed with these investment managers laying down the conditions under which

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they have to operate. On a daily basis, the custodian will check whether the investments are still within the agreed mandate. In this context, monthly reports will be submitted to the Fund.

2.6.2 MORTALITY RISK

The mortality risk is entirely for the account of the Fund.

2.6.3 CONTRIBUTION EXEMPTION RISK

Since 1 January 1996, the Pension Fund has not reinsured the financial consequences of a continuation of the membership for members who, due to incapacity, are no longer employed by Reed Elsevier. Current payments are still being made by the Alhermij. Since the financial year 2007, the present value of these obligations has been calculated on the basis of the accounting principles used to calculate the technical provision.

2.6.4 INCAPACITY RISK

Since 1 January 1997, the Pension Fund has executed the supplementary incapacity insurance scheme (*excedent-WAO*). Since 1 January 1999, the incapacity interests have no longer been reinsured by the Alhermij. The contribution of 2% was laid down in 1996 on the basis of quotes from various re-insurers.

As at 1 January 2008, the contribution was lowered to 0.2%

2.6.5 TEMPORARY PARTNER'S PENSION: MINIMUM AND MAXIMUM

In connection with the introduction of the General Surviving Dependant's Act (Anw), a floor has been included in the temporary partner's pension to cover the so-called Anw-gap. Consequently, the temporary partner's pension will be at least € 8,888 on an annual basis in 2007 (2005: € 8,778); as a result of indexation this floor rises annually. The number of members who will avail themselves of this provision cannot be predicted, which means the course of this provision is difficult to gauge. The contribution for the Anw-gap has been set at 0.7% of the pensionable earnings, with a maximum. On the basis of fiscal regulations, the temporary partner's pension has a different maximum per member per year (between € 20,607 and € 21,636 in 2007).

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2.7 ADMINISTRATION COSTS

With the exception of the costs related to investments, the Fund charges all its costs directly to the affiliated undertakings. The costs related to investments are charged to the investment result. All this has been agreed in the Implementation Agreement between Reed Elsevier Nederland BV and the Pension Fund. In 2007, the advance charged per member was € 350 (2006: € 335). When calculating the number of people over whom costs are spread those falling under WAO (incapacity), FVP members (unemployed former staff whose premiums are paid by an advance levy fund for pension insurance), dormant members and those receiving a pension are not included.

Actual costs 2007 ¹⁾		€1,269
Passed on in 2007	€ 1,007	
Released pension disbursement (<i>excasso</i>) costs in 2007	<u>€ 137</u>	
		<u>€ 1,144</u>
To be offset in 2008 for 2007:		<u>€ 125</u>

1) excluding the costs of investment management

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Amsterdam, 6 June 2008

The Management Board

Jan Vos (chairman)

Marcel Toebak (secretary)

Jaap Schepen (deputy chairman)

Paul Hekking

Jurgen Stoffer

Remko Nods

Martin Tanke

Ab Pouwels (deputy secretary)

Jan Heijting
(deputy Board member for the employers)

Anne Lievaart-Bode
(deputy Board member for the employees)

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3 GENERAL INFORMATION

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3.1 NAME AND ADDRESS OF THE REGISTERED OFFICE

Stichting Pensioenfonds Elsevier-Ondernemingen
Radarweg 29
1043 NX AMSTERDAM

Telephone : 020-515 9499
Fax : 020-515 9495
E-mail : info@speo.nl
Internet : www.speo.nl

3.2 AFFILIATED COMPANIES

Overview of affiliated companies as at 31 December 2007:

Company	Scheme				
	A	B	C	D	E
Elsevier B.V.	*	*	*		
Elsevier Opleiding & Advies B.V.	*	*		*	
Koninklijke PBNA B.V.	*	*		*	
Reed Business Information B.V.:					
- Coll. Lab. Agreement for <i>Boeken en Tijdschriftuitgeverijbedrijf</i>	*	*	*		
- Coll. Lab. Agreement for <i>Vaktijdschriftjournalisten</i>	*	*	*		
- Coll. Lab. Agreement for <i>Publiekstijdschriftenjournalisten</i>	*	*			*
- Coll. Lab. Agreement for <i>Opinieweekbladjournalisten</i>	*	*			*
Baard Fiscale Opleidingen B.V.	*	*	*		
Geomatics Information & Trading Centre B.V.	*	*	*		
Harcourt Assessment B.V.	*	*	*		
Lexis Nexis (NL) B.V.	*	*	*		
Univentio Information Services B.V.	*				
Reed Elsevier Nederland B.V.	*	*	*		
Stichting Pensioenfonds Elsevier-Ondernemingen	*	*	*		

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3.3 COMPOSITION OF THE MANAGEMENT BOARD, BOARD OF MEMBERS AND OTHER INVOLVED PARTIES

Position as at 6 June 2008.

3.3.1 BOARD OF MANAGEMENT

Appointed by the employers	Year of retirement
Jan Vos (chairman)	2010
Jaap Schepen (deputy chairman)	2010
Jurgen Stoffer	2012
Martin Tanke	2012
Jan Heijting (deputy Board member)	2012
Appointed by the Board of Members	
Paul Hekking	2010
Remko Nods	2010
Ab Pouwels (deputy secretary)	2012
Marcel Toebak (secretary)	2012
Anne Lievaart-Bode (deputy Board member)	2012

3.3.2 BOARD OF MEMBERS

Appointed by the Works Council	Elected by the group:	
Peter Bulder	Trade information	
Hein Helleman	Trade information	
Kenny Kroon	Trade information	
Rien Pranger	Trade information	
Jan van der Geer (chairman)	Scientific information	
Frans Lekkerkerker (secretary)	Scientific information	
Elected by the members	Elected by the group:	
Year of retirement		
Wilma van Huit-Meijers	2011	Trade information
Robert Bodde	2011	Trade information
Cornil Balk	2011	Trade information
René Kossen	2011	Scientific information
Hans Visser	2011	Scientific information
Peter van der Kleij	2011	Pensioners
Herman Frank	2011	Pensioners
Jan Nefkens	2011	Pensioners
Substitute members		
Harry Nijhuis	Pensioners	
Gerard Roza	Pensioners	

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3.3.3 INVESTMENT COMMITTEE

Board

Jaap Schepen (chairman)
Remko Nods
Marcel Toebak

External advisors

Ton Groeneveld
Jan Overmeer
Lucienne Luyten (Mercer)

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Fokko Covers
Jacob Schoenmaker

3.3.4 ACCOUNTABILITY BODY

Appointed by the employers

Remco Berrevoets
André de Klerk

Appointed by the Board of Members

Jan Visser
Han de Vries

Appointed by the Association of Pensioners of Elsevier Companies (*Vereniging Gepensioneerden Elsevier-Ondernemingen*)

Pim van Dokkum
Peter Roessel

The Accountability Body was appointed on 4 April 2008.

3.3.5 SPEO ORGANISATION

Director

Fokko Covers

Administration and secretariat

Arie de Pijper
Ger de Rooij
Daniëlle Iksan Wijaya-Warner
Cynthia Redering

Actuarial Department

Brigitte van Buuren

Investments

Jacob Schoenmaker

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3.3.6 ACTUARY AND AUDITOR

Actuary

Watson Wyatt B.V.

Advisory: Rick Westhoff

Certifying: Dick van Doorn

Auditor

Deloitte Accountants B.V.

Marc van Luijk

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4 ANNUAL FINANCIAL STATEMENT 2007

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4.1 BALANCE SHEET (AFTER APPROPRIATION OF PROFIT)

Assets	2007	2006
Investments on account and risk of the Pension Fund		
Real estate investments	17,157	18,169
Shares	271,665	289,294
Fixed interest-bearing securities	248,539	215,447
Derivatives	4,646	0
Total investments	542,007	522,910
Reinsurance	512	4,507
Miscellaneous receivables		
<i>Receivables from sponsors</i>	0	2,673
<i>Receivables related to investments</i>	7,537	7,301
<i>Other receivables</i>	867	99
Cash	11,457	982
Tangible fixed assets	269	228
Total Assets	562,649	538,700
Liabilities		
Fund's capital and reserves		
Revaluation reserve	4,646	0
Other reserves	143,129	50,598
Fund's total capital and reserves	147,775	50,598
Provision for pension liabilities	396,015	486,652
Fund's capital	543,790	537,250
Other provisions	440	269
Other debts and accruals		
<i>Insurance companies</i>	24	21
<i>Other debts</i>	3,176	409
<i>Accruals</i>	55	751
<i>Derivatives</i>	15,164	0
Total Liabilities	562,649	538,700

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4.2 STATEMENT OF INCOME AND EXPENSE

	2007	2006
INCOME		
Contributions from employers and members	23,342	24,710
Recharged pension implementation and administration costs	1,132	1,054
Investment result	(92)	51,923
EXPENDITURE		
Movements in the provision for pension liabilities	10,777	(24,665)
Pension payments	(13,728)	(12,454)
Pension implementation and admin. costs	(1,269)	(1,178)
Balance of transfer of pension rights	(2,642)	(1,182)
Reinsurances	(194)	223
Other expenses	(9)	-
	<hr/>	<hr/>
Balance of Income and Expense	17,317	38,431
	<hr/> <hr/>	<hr/> <hr/>
Appropriation of the balance		
Other reserves	12,671	38,431
Revaluation reserve	4,646	-
	<hr/>	<hr/>
	17,317	38,431
	<hr/> <hr/>	<hr/> <hr/>

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4.3 CASH FLOW STATEMENT (IN ACCORDANCE WITH THE DIRECT METHOD)

	2007	2006
Contributions received	22,626	25,420
Receipts related to transfer of pension rights	1,076	653
Pensions paid out	(13,538)	(12,279)
Payments related to transfer of pension rights	(3,718)	(1,835)
Recharged pension implementation costs	1,007	1,112
Pension implementation and administration costs	(1,269)	(1,178)
Payments received from reinsurers	3,841	383
Cash flow from pension activities	10,025	12,276
Sales and repayments of investments	1,756,557	80,832
Direct investment income received	24,126	21,186
Purchases of investments	(1,792,621)	(111,283)
Costs paid for asset management	(1,567)	(397)
Movements in miscellaneous liabilities	14,850	1,137
Movements in miscellaneous assets	(886)	(2,775)
Other income and expenditure	(9)	(124)
Cash flow from investment activities	450	(11,424)
Net Cash flow	10,475	852

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4.4 GENERAL NOTES

Accounting system changes

Provision for pension liabilities

Since the introduction of the Pension Act on 1 January 2007, the investments and pension obligations have to be valued at fair value. From the perspective of the Fund, this has important consequences for the valuation of the pension liabilities. Currently, the valuation is based on the principles of the Financial Assessment Framework (FTK). The changes mean, amongst other things, the use of different mortality tables (with mortality trends) and the use of the market rate of interest instead of a fixed actuarial interest rate of 3%. These changes can be characterised as accounting system changes.

Implementation of Guideline for Annual Reporting 610

The Fund decided that, from the start of the 2007 financial year, it would apply the new Guideline RJ 610 for Pension Funds of the Dutch Accounting Standards Board (generally accepted for annual reporting accounting principles for pension funds in the Netherlands). In this context, the Fund decided to make use of the option to replace the comparative figures for the balance sheet and the statement of income and expenditure by explanatory notes on the principal components of the cumulative effect and to process these directly as movements in the capital as at 1 January 2007.

The cumulative effect of the changes to the accounting system can be specified as follows:

Provision for pension liabilities as at 31 December 2006	€	486,652
Increase due to switch to other mortality tables	€	12,954
Decrease due to switch to the market interest rate	€	(92,814)
Provision for pension liabilities as at 1 January 2007	€	<u>406,792</u>

General accounting principles

Conformity declaration

This annual report has been prepared on the basis of financial reporting policies generally accepted in the Netherlands and the statutory provisions concerning annual accounts contained in Part 9, Book 2, of the Netherlands Civil Code and the Guidelines for Annual Reporting in the Netherlands. The Management Board compiled the annual financial statement on 6 June 2008.

- Unless explicitly stated at the top of the relevant balance sheet, the assets and liabilities have been included at their face value.
- Income and expenses are accounted for on accrual basis. Profit is only included when realized on the balance sheet date. Losses originating before the end of the financial year are taken into account if they have become known before preparation of the financial statements.

Converting foreign currency

Receivables, debts and obligations in foreign currencies will be converted at the rate prevailing on the balance sheet date. Transactions in foreign currencies during the year under review are included in the annual financial statements at the exchange rate at settlement. Any exchange rate differences arising from the conversion on the balance sheet date are included in the statement of income and expenditure.

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Risk Management

In 2006, the Management Board had an Asset Liability Management study carried out. On the basis of this a strategic investment mix was established taking account of an acceptable combination of the net-contribution level, the contribution volatility, the chance of a funding shortfall and the chance of (complete) indexation being awarded. To hedge the Fund's interest rate risk, the option chosen was to invest the fixed interest-bearing securities in a Liability Driven Investment (LDI) mandate whereby the duration of the investments are - within specified limits - to be brought in line with the obligations. In addition, a decision was taken to limit the exchange rate risk as much as possible. The aim of the investments in shares is to ensure that, in the long-term, excess returns will help the Fund realise (part of) its indexation ambition.

The Fund's investment management has been outsourced to external asset managers. Mandates have been agreed with these investment managers laying down the conditions under which they have to operate. On a daily basis, the custodian will check whether the investments are still within the agreed mandate. In this context, monthly reports will be submitted to the Fund.

Accounting Principles for the valuation of assets and liabilities

Investments

Investments are valued at fair value. Only if the fair value of an investment cannot be determined reliably will the valuation be on the basis of the amortised cost price.

The participation in investment institutions is valued at the market value. In respect of quoted investment institutions, this is the quotation/share price on the balance sheet date.

Real estate funds

Investments in real estate only relate to quoted real estate funds and these are valued at the prevailing stock exchange value on the balance sheet date.

Shares

Shares quoted on stock exchanges and participations in quoted investment institutions are included at the stock exchange price prevailing on the balance sheet date.

Fixed interest-bearing securities

Fixed interest-bearing securities quoted on stock exchanges and participations in quoted investment institutions are included at the stock exchange price prevailing on the balance sheet date. Should fixed interest-bearing securities or participations in investment institutions not be quoted, valuation is on the basis of the estimated future net cash flows (interest and repayments) resulting from the investments, converted to their present value at the prevailing interest rate and taking account of the risk profile (credit risk, bad debts) and the duration.

If it is not possible to make a reliable estimate of the value of the fixed-interest bearing securities, they will be valued on the basis of their amortised cost price.

Derivatives

Derivatives are valued at their fair value, that being the relevant market quotation or, if there is no market quotation, the value determined using valuation models which are accepted by the market and are verifiable.

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Reinsurances

The Fund no longer takes out reinsurance cover for the risks of death or incapacity. The provision reinsurance is the present value of the insurances which are still outstanding from these terminated risks contracts.

Calculated on the basis of the actuarial principles of the Pension Fund, the provision reinsurance is the present value of the pension rights, the incapacity interest awards (*arbeidsongeschiktheidsrenten*) and the supplementary incapacity payments (*excedent-WAO*) which are reinsured at the end of the financial year.

The change to the provision reinsurance is built up from the following components:

- the increase in the provision reinsurances, incapacity interests and supplementary WAO payments on the basis of the actuarial principles of the Pension Fund;
- the pension payments, incapacity interest and supplementary WAO payments received from the reinsurance companies.

Receivables, prepayments and accrued income

Receivables are included at their nominal value, less any provisions deemed necessary to cover the risk of bad debts. These provisions are determined on the basis of an individual assessment of the receivable.

Tangible fixed assets

Tangible fixed assets are valued at cost, less cumulative depreciation and, if applicable, less impairments in value. The depreciation is based on the estimated useful life of the asset and calculated on the basis of a fixed percentage of the cost, taking account of any residual value. Depreciation is applied the moment the asset is brought into use.

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Provision for pension liabilities

As at 1 January 2007, the provision for pension liabilities was determined in accordance with the following accounting principles.

Subject	Actuarial principles
Actuarial interest rate for the Pension Fund's pension obligations	In conformity with the term structure of interest rates of the current nominal market interest rate, as published by the DNB
Actuarial interest rate for reinsured pension obligations	In conformity with the term structure of interest rates of the current nominal market interest rate, as published by the DNB.
Basis of mortality assumptions	Mortality in accordance with the Prognoses table 2005-2050 (as published by the AG). In addition, account is taken of the difference between the mortality chances of the working population and the entire population.
Marital status of those covered by Pension Scheme 1992 and later	<ul style="list-style-type: none"> • Every member (former) will be deemed to have a partner of the opposite sex; • the point of departure for pensioners is their actual marital status.
Marital status of those covered by Pension Scheme 1981	<ul style="list-style-type: none"> • Every former male member will be deemed to have a wife; • Every former female member will be deemed to be unmarried; • The point of departure for pensioners is their actual marital status.
Marital status of those covered by Pension Scheme 1978 and earlier schemes	The point of departure for former members and pensioners is their actual marital status.
Age difference	An age difference of three years is assumed (males older than females).
Orphan's pension	Until retirement age is reached, the burden of orphans' pensions which are ineffective will be set at 7% of the burden of the ineffective partner's pensions of those who are not yet pensioners.
Supplementary Incapacity (WAO/WIA) <ul style="list-style-type: none"> • Effective payments • Payments which are, as yet, ineffective, but incapacity, WAO, is being received • Payments which are, as yet, ineffective nor is incapacity, WAO/WIA, as yet, being received. 	Reserves on the basis of the previously mentioned accounting principles for effective payments; Reserves amount to 100% of the present value of the payments which are, as yet, ineffective; Reserves amount to the total of the annual contributions set for all members.
Miscellaneous	<ul style="list-style-type: none"> • Pensions are deemed to be continuously payable; • Annual contributions are deemed to lapse on 1 January; • To cover the future administration and pension disbursement (<i>excasso</i>) costs, the net present value of the pension rights of the Pension Fund will be raised by 1% once the pension is being paid out.
Indexation	The aim is to align the effective pensions and accrued rights with the general wage rounds in accordance with the Collective Labour Agreement (CAO) for the Book and

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	Journal Publishing Sector, if and to the extent the Fund has the necessary resources.
Contributions from employers and members	The regulatory contribution and single premiums charged in accordance with the rules of the articles of association in the year under review.

The same principles apply to Schemes A, C, D and E, unless explicitly stated otherwise.

Accounting Principles for the compilation of the statement of income and expenditure

Investment income

Direct investment income is understood to mean, interest, dividends and other similar income. Indirect investment income is understood to mean both realised and unrealised price and exchange rate differences. The investment income is reduced by the costs allocated to asset management. All investment related transaction costs, provisions etc. are offset against the direct and indirect investment income.

In respect of the dividend on shares, only the dividends received in the financial year are justified as income.

Balance of value transfer

The transfer of reserves received in the year under review minus reserves being transferred out of the Fund.

Pension paid out

The payments made in the financial year in respect of retirement, incapacity pensions, dependants' pensions and pre-pensions, including surrender due to the small sums involved.

Recharged pension execution and administration costs

Administration costs incurred in the year under review which have already been recharged, or will be recharged, to the affiliated employers.

Pension implementation and administration costs

The balance of the pension implementation and administration costs and the recharged pension implementation and administration costs is financed by the pension disbursement (*excasso*) costs released from the provision for pension liabilities.

Principles for the compilation of the cash flow statement

The cash flow statement is compiled in accordance with the direct method.

Cash flows in foreign currencies will be converted at an estimated average exchange rate. Exchange rate differences in respect of cash resources are shown separately in the cash flow statement.

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4.5 NOTES TO THE BALANCE SHEET

1 Real estate investments	2007	2006
Position at the start of the financial year	18,169	12,100
Purchases	<u>8,907</u>	<u>1,049</u>
	27,076	13,149
Sales	<u>(6,336)</u>	<u>0</u>
	20,740	13,149
Realised result	(341)	0
Unrealised result	(3,242)	5,020
	<u>17,157</u>	<u>18,169</u>
2 Shares ¹⁾	2007	2006
Position at the start of the financial year	289,294	255,613
Purchases ²⁾	<u>951,624</u>	<u>24,795</u>
	1,240,918	280,408
Sales ²⁾	<u>(972,631)</u>	<u>(29,799)</u>
	268,287	250,609
Realised result	10,648	3,582
Unrealised result	(7,270)	35,103
	<u>271,665</u>	<u>289,294</u>
3 Fixed interest-bearing securities ¹⁾	2007	2006
Position at the start of the financial year	215,447	194,001
Purchases	<u>832,090</u>	<u>85,439</u>
	1,047,537	279,440
Sales and repayments	<u>(784,412)</u>	<u>(53,119)</u>
	263,125	226,321
Realised result	(3,485)	(1,497)
Unrealised result	(11,101)	(9,377)
	<u>248,539</u>	<u>215,447</u>

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¹⁾ As at 31 December 2007 approx € 50.7 million worth of shares (2006: € 120.5 million) and approx. € 9.7 million worth of bonds (2006 : € 153.5 million) were lent on the basis of a usufrucht agreement concluded with the Kas Bank in Amsterdam on 19 May 2000.

²⁾ When the shares were transferred to the asset managers an amount of € 31.7 million was included as in-kind transactions under purchases and sales.

4 Derivatives	2007	2006
Position at the start of the financial year	0	0
Purchases	2,480	0
	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
	2,480	0
Sales	(6,906)	0
	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
	(4,426)	0
Realised result	4,426	0
Unrealised result	(10,518)	0
	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
Position at the end of the financial year ³⁾	<u>(10,518)</u>	<u>0</u>

³⁾ This relates to the balance of the positive position of € 4,646 invested for the account and risk of the Fund and the negative position of € 15,164 accounted for under other debts and liabilities.

5 Reinsurances	2007	2006
Contrib. reserve reinsurance basic pension	214	4,168
Present value incapacity interest		
Algemene Levensherverzekering Maatschappij NV	138	152
Present value of supplementary WAO payments	160	187
	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
	<u>512</u>	<u>4,507</u>

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6	Miscellaneous receivables	2007	2006
	<i>Receivables from sponsors</i>		
	Employers	<u>0</u>	<u>2,673</u>
	<i>Receivables related to investments</i>		
	Interest on bonds	6,295	6,612
	Claim Ahold shares	0	200
	Sales income still to be received	945	0
	Dividends still to be received	266	0
	Dividend tax over the financial year	31	456
	Usufrucht, bank interest less custody fees	<u>0</u>	<u>33</u>
		<u>7,537</u>	<u>7,301</u>
	<i>Other receivables</i>		
	Interest income still to be received	2	0
	Balance of administration costs	161	36
	Rechargeable/advance payments	9	23
	Accrued items with asset managers	695	0
	Payments from insurance companies still to be received	<u>0</u>	<u>40</u>
		<u>867</u>	<u>99</u>
7	Cash	2007	2006
	Kas Bank	461	964
	Postbank	11	18
	Deposits with the Kas Bank	2,000	0
	Liquidities asset managers	<u>8,985</u>	<u>0</u>
		<u>11,457</u>	<u>982</u>
	The liquid resources are freely available with the exception of the liquidities with the investment managers		
8	Tangible Fixed Assets	2007	2006
	Inventory	4	5
	Software	<u>265</u>	<u>223</u>
		<u>269</u>	<u>228</u>

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Total Assets	558,003	536,027
9.1 Revaluation reserve	2007	2006
Position 1 January	0	0
Movement	<u>4,646</u>	<u>0</u>
Position 31 December	<u><u>4,646</u></u>	<u><u>0</u></u>
<p>The revaluation reserve is formed for the positive price/exchange results on derivatives which do not have a permanent stock exchange quotation.</p>		
9.2 Other reserves	2007	2006
Position 31 December 2006	<u>50,598</u>	
Plus : the accounting system change, see page 36	<u>79,860</u>	
Position on 1 January	130,458	12,167
Movement	<u>12,671</u>	<u>38,431</u>
Position 31 December ⁴⁾	<u><u>143,129</u></u>	<u><u>50,598</u></u>
9.3 Provision for pension liabilities	2007	2006
Position 31 December 2006	486,652	
Plus : the accounting system change, see page 36	<u>(79,860)</u>	
Position 1 January	406,792	461,987
Movement (see page 48)	<u>(10,777)</u>	<u>24,665</u>
Position 31 December ⁴⁾	<u><u>396,015</u></u>	<u><u>486,652</u></u>
10 Other provisions	2007	2006
Reserved payments	<u>440</u>	<u>269</u>

⁴⁾ The link between the position at the end of 2006 and the position as at 1 January 2007 is explained in the general notes.

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11 Other debts and accruals	2007	2006
<i>Insurance companies</i>		
Contribution private insurances	<u>24</u>	<u>21</u>
<i>Other debts</i>		
Creditors	609	132
Employers	995	0
Income tax /insurance premiums December	296	277
Purchases still to be paid for	<u>1,276</u>	<u>0</u>
	<u>3,176</u>	<u>409</u>
<i>Accruals</i>		
Advance pension contributions received	0	733
Miscellaneous liabilities	<u>55</u>	<u>18</u>
	<u>55</u>	<u>751</u>
<i>Derivatives⁵⁾</i>	<u>15,164</u>	<u>0</u>

⁵⁾ For an explanation of the derivatives reference should be made to the notes ³

Financial instruments

For an explanation of the primary financial instruments, reference should be made to the specific explanation of each item. The group's financial derivatives and associated risks are explained below.

- Exchange rate risk

The policy governing foreign currency focuses on protecting the operational margin. To manage the exchange rate risk, foreign exchange contracts have been entered into.

- Interest rate risks

Interest rate instruments are applied to acquire the desired risk profile in fixed and variable interest rate positions.

- Credit risks

Credit risks are reduced by only undertaking business with third parties with a high credit rating, whereby pre-determined limits are set for each entity.

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4.6 NOTES TO THE STATEMENT OF INCOME AND EXPENDITURE

1 Contributions from employers and members	2007	2006
Contribution Scheme A (pension) members	6,596	6,730
Contribution Scheme A (Anw gap) members	294	291
Contribution Scheme A (pension) employers	15,391	15,711
Contribution Scheme B (supplementary WAO/WIA insurance) from members	42	120
Contribution Scheme B (supplementary WAO/WIA insurance) from employers	100	280
Contribution Scheme C (pre-pension)	0	3
Contribution Scheme D (pre-pension)	0	(1)
Miscellaneous Contributions (e.g. FVP)	700	678
Contributions Scheme A catch-up pensions	0	24
Surrender sums received Scheme A	219	583
Surrender sums received Scheme C	0	9
Surrender sums received Scheme D	0	282
	<u>23,342</u>	<u>24,710</u>

The cost-effective contribution has been laid down as the contribution required actuarially increased by the supplement for the capital required to cover the growth of the pension obligations, the implementation costs and a contribution towards part of the conditional components of the pension scheme. In 2007, the cost-effective contribution was € 21,108.

The Pension Fund does not intend to make any use of the option to use the system of cushioned contributions. The cushioned contribution is, therefore, equal to the cost-effective contribution.

2 Recharged pension implementation and Administration costs	2007	2006
Administration costs already recharged :		
Number of members 2007 2,878 x € 350	1,007	0
Number of members 2006 2,950 x € 335	0	988
	<u>1,007</u>	<u>988</u>
Administration costs still to be recharged	125	66
	<u>1,132</u>	<u>1,054</u>

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3 Investment income	2007	2006
Real estate funds	(2,826)	5,641
Shares	13,162	47,423
Derivatives	(5,745)	0
Bonds	(4,116)	(1,451)
Cash	<u>1,002</u>	<u>302</u>
	1,477	51,915
Usufrucht less custody fees and costs	(2)	405
Costs of asset management	<u>(1,567)</u>	<u>(397)</u>
	<u>(92)</u>	<u>51,923</u>

The investment income can be specified as follows:

Direct investment income		
Real estate funds	757	621
Shares	8,809	8,737
Derivatives	401	0
Bonds and other fixed interest-bearing		
Securities	10,472	9,423
Cash	<u>1,002</u>	<u>302</u>
	21,441	19,083
Indirect investment income		
Real estate funds	(3,583)	5,020
Shares	4,353	38,686
Derivatives	(6,146)	0
Bonds and other fixed interest-bearing		
Securities	<u>(14,588)</u>	<u>(10,874)</u>
	(19,964)	32,832
Usufrucht less custody fees and costs	(2)	405
Costs of investment management	<u>(1,567)</u>	<u>(397)</u>
	(1,569)	8
	<u>(92)</u>	<u>51,923</u>

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4 Movements in the provision for pension liabilities	2007	2006
Pension accrual	(13,153)	(16,785)
Indexation and other supplements	(11,076)	(8,450)
Interest rate addition	(17,654)	(13,901)
Withdrawn for pension payments and pension implementation costs	13,922	12,488
Changes to the market rate of interest	34,769	
Changes due to transfer to third parties	2,749	1,774
Other movements	<u>1,220</u>	<u>209</u>
	<u><u>10,777</u></u>	<u><u>(24,665)</u></u>
5 Pension payments	2007	2006
Retirement pensions	(10,471)	(9,424)
Dependent's pensions	(2,487)	(2,362)
Surrender due to small sums	<u>(32)</u>	<u>(31)</u>
	<i>(12,990)</i>	<i>(11,817)</i>
Supplementary incapacity (WAO) payments		
Payments to members	(153)	(170)
Payments to employers	<u>(49)</u>	<u>(44)</u>
	<i>(202)</i>	<i>(214)</i>
Pre-pension payments		
Pre-pension Scheme C	(242)	(174)
Surrender pre-pensions Scheme C	<u>0</u>	<u>(1)</u>
	<i>(242)</i>	<i>(175)</i>
Pre-pension Scheme D	<u>(290)</u>	<u>(242)</u>
	<i>(290)</i>	<i>(242)</i>
Pre-pension Scheme E	<u>(4)</u>	<u>(6)</u>
	<u><u>(13,728)</u></u>	<u><u>(12,454)</u></u>

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6 Pension implementation and administration costs	2007	2006
Salaries	(557)	(336)
Social insurance costs	(150)	(145)
Pension costs	(110)	(110)
Other personnel costs	<u>(60)</u>	<u>(74)</u>
Total personnel costs	(877)	(665)
Management costs	(17)	(23)
Costs of advisors and auditors	(1,339)	(457)
Accommodation/Service Fee	(94)	(120)
IT	(227)	(207)
Administration costs recharged to third parties	(211)	(32)
Other costs	<u>(71)</u>	<u>(71)</u>
Total	(2,836)	(1,575)
Costs of asset management	<u>1,567</u>	<u>397</u>
	<u><u>(1,269)</u></u>	<u><u>(1,178)</u></u>

At the end of 2007, 5 employees were employed by the pension fund; on a fulltime basis 4.65 (2006 7 employees; fulltime basis 6.16).

In the annual financial statements, the pension commitments to the Pension Fund's own personnel are not processed as a defined benefit plan as all the Pension Fund's costs, including the personnel's pension costs, are borne by the employers.

As such the Management Board members received no remuneration.

€ 31.3 was paid out as honorary fees for sitting on committees.

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7	Balance of transferred pension rights	2007	2006
	Incoming value transfer Scheme A	1,055	603
	Incoming value transfer Scheme C	16	45
	Incoming value transfer Scheme D	5	4
	Incoming value transfer Scheme E	0	1
	Outgoing value transfer Scheme A	(1,959)	(1,676)
	Outgoing value transfer Scheme C	(1,692)	(144)
	Outgoing value transfer Scheme D	(15)	(10)
	Outgoing value transfer Scheme E	(52)	(5)
		<u>(2,642)</u>	<u>(1,182)</u>
8	Reinsurances	2007	2006
	Movement in the reinsurance contribution reserve	(467)	(63)
	Movement in the present value of incapacity interests Alhermij	(13)	(27)
	Movements in the present value of supplementary incapacity (WAO) payments	(28)	(36)
	Reinsurance payments	244	267
	Incapacity interest payment Alhermij	26	36
	Supplementary incapacity (WAO) payments Alhermij	44	46
		<u>(194)</u>	<u>223</u>
9	Other income and expenditure	2007	2006
	Other costs	<u>(9)</u>	<u>0</u>

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THE ELSEVIER PENSION FUND FOUNDATION

Amsterdam, 6 June 2008

The Management Board

Jan Vos (chairman)

Marcel Toebak (secretary)

Jaap Schepen (deputy chairman)

Paul Hekking

Jurgen Stoffer

Remko Nods

Martin Tanke

Ab Pouwels (deputy secretary)

Jan Heijting
(deputy Board member for the employers)

Anne Lievaart-Bode
(deputy Board member for the employees)

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5 OTHER INFORMATION

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THE ELSEVIER PENSION FUND FOUNDATION

5.1 ADOPTION AND ALLOCATION OF THE RESULT

During a meeting held on 6 June 2008, the Management Board of the Elsevier Pension Fund Foundation (Stichting Pensioenfonds Elsevier-Ondernemingen) adopted the 2007 annual financial statements. The credit balance was added to the other reserves.

5.2 IMPLEMENTATION AGREEMENT

Since 1 January 2008 an Implementation Agreement has been effective between the Fund and Reed Elsevier Nederland B.V., this agreement establishes the mutual obligations which apply between the Fund, Reed Elsevier Nederland B.V. and the affiliated companies. Below is a summary of the main points of the Implementation Agreement.

The Implementation Agreement lays down the policy framework which defines the relationship between the contribution policy, the indexation policy and the investment policy. Within that framework the level of the total contributions as a percentage of the salary sum has been made dependent on the funding ratio in the following way:

Funding ratio	Contribution	Indexation
> 150 %	Reduction	complete
140 % - 150 %	17 %	complete + catch up
130 % - 140 %	17 %	complete
105 % - 130 %	17 %	pro rata
< 105 %	17 %	none

The Management Board uses the policy framework as a guideline and it may decide to impose a different contribution level. The contribution will not be reduced until any indexation not granted in previous years has been compensated for.

The objective of the policy framework is to award an annual percentage supplement to the pension rights, the vested rights and the pensions being paid out, and to equate this annual percentage supplement to the percentage of the general salary increase by virtue of the Collective Labour Agreement for the Book and Journal Publishing Sector.

In the event of there being insufficient capital, the Fund and Reed Elsevier Nederland will enter into consultations. The Implementation Agreement does not include the option of repayment.

Should significant circumstances make it necessary, the Fund and Reed Elsevier will enter into further discussions.

5.3 SUBSEQUENT EVENTS

In January 2008, the Management Board decided that as of 1 January 2008 the pension rights and the pensions being paid out should be raised by 2,75% that being the amount of the Collective Labour Agreement general salary increase. This increase was not included in the calculation of the provision for pension liabilities as at 31 December 2007. As a consequence of this increase, the technical provision went up by 2.75% as at 1 January 2008, and on the same date the Fund's funding ratio fell from 137.3% to 133.6%.

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THE ELSEVIER PENSION FUND FOUNDATION

5.4 ACTUARY'S DECLARATION

Instruction

SPEO, the Elsevier Pension Fund Foundation (*Stichting Pensioenfonds Elsevier-Ondernemingen*), registered in Amsterdam, instructed Watson Wyatt B.V. to issue an actuarial declaration, as defined in the Pension Act, for the financial year 2007.

Information

The information on which my audit is based was provided by and drawn up under the responsibility of the Management Board. I tested the resources of the Fund and assessed the capital position on the basis of the financial details which underlie the annual financial statements. In accordance with the guideline "Cooperation between the chartered accountant and the actuary regarding the audit of the accountability of insurance institutions", the Pension Fund's auditor provided me with information in respect of the reliability and completeness of the basic administrative data and the other accounting principles which were essential for me to form an opinion.

Scope

To carry out the instruction, I examined whether articles 126 to 140 (inclusive) of the Pension Act had been fulfilled. Part of this task included:

- examining whether it had been established that the technical provisions, the minimum capital requirement and the capital requirement were adequate, and
- forming an opinion of the capital position of the Pension Fund.

My assessment was carried out in such a way that I obtained a reasonable degree of certainty that the results did not contain any inaccuracies of significant importance. I formed an opinion as to the likelihood that the Pension Fund would be able to meet all its obligations up to the balance sheet date. The duties described and the execution of these were undertaken in accordance with the standards and norms prevailing within the Actuarial Society, and I believe these form a sound basis for my opinion.

Opinion

The findings of the auditor in respect of the basic administrative data provided by the Pension Fund are such that I have accepted this information as my point of departure.

With due observance of the following, I am of the opinion that articles 126 to 140 (inclusive) of the Pension Act have been fulfilled. In accordance with the defined calculation rules and accounting principles, the technical provision has been established as adequate. On the balance sheet date the Pension Fund's capital was, at least, equal to the statutory minimum capital requirement. On the balance sheet date, the Pension Fund's capital was, at least, equal to the statutory capital requirement.

Measured against the statutory standards, in respect of the obligations entered into until the balance sheet date, there could be said to be adequate solvency.

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The capital position of the Elsevier Pension Fund Foundation is, in my opinion, sufficient, taking into account the possibility of realising the intended supplement. A determining factor in this context is the degree of likelihood that the Pension Fund will be able to meet all its obligations entered into until the balance sheet date, taking account of the indexation ambition, as communicated to the insured; this communication being in accordance with the criteria included in the relevant legislation and regulations.

Amstelveen, 6 June 2008

D.E. van Doorn AAG
Watson Wyatt B.V.

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THE ELSEVIER PENSION FUND FOUNDATION

5.5 AUDITOR'S REPORT

Report on the financial statements

We have audited the accompanying financial statements 2007 of The Elsevier Pension Fund Foundation, Amsterdam, which comprise the balance sheet as at December 31, 2007, the statement of income and expenses for the year then ended and the notes.

Management's responsibility

Management is responsible for the preparation and fair presentation of the financial statements and for the preparation of the management board report, both in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of The Elsevier Pension Fund Foundation as at December 31, 2007, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part e of the Netherlands Civil Code, we report, to the extent of our competence, that the management board report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Amsterdam, June 6, 2008
Deloitte Accountants B.V.

M. van Luijk

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6 APPENDICES

SPEO THE ELSEVIER PENSION FUND FOUNDATION

6.1 MEMBERS, FORMER MEMBERS AND PENSIONERS (INCL. PRE-PENSIONERS) SCHEME A

In the last five years the average age of the active members developed in the following way:

Average age	Female	Male
2003	40.7	43.4
2004	41.2	43.8
2005	41.6	43.7
2006	41.7	43.9
2007	41.9	43.9

In the year under review the following movements occurred:

Members	Female	Male	Total
Number of members as at 31-12-2006	1,520	1,439	2,959
Movements in 2007			
Correction to opening balance	5	10	15
Joining	208	189	397
Deaths	(6)	(1)	(7)
Retirement	(17)	(26)	(43)
Leaving service with vested rights	(251)	(216)	(467)
Leaving service without vested rights	-	-	-
Miscellaneous movements	(10)	(12)	(22)
Balance of movements	(71)	(56)	(127)
Number of members as at 31-12-2007	<u>1,449</u>	<u>1,383</u>	<u>2,832</u>

In 2007, the membership increased by approx. 14% (2006: 13%) due to new people joining Scheme A, whilst about 17% (2006: 14%) of the members of Scheme A terminated their membership because they were leaving the employment of the company.

Former members	Female	Male	Total
Position as at 31-12-2006	1,639	1,588	3,227
Movements in 2007			
Correction to the opening balance	(5)	(13)	(18)
Leaving service with vested rights	251	216	467
Surrender emigration/value transfer	(47)	(43)	(90)
Death	(1)	(11)	(12)
Retirement	(17)	(27)	(44)

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Miscellaneous movements	<u>10</u>	<u>12</u>	<u>22</u>
Balance of movements	<u>191</u>	<u>134</u>	<u>325</u>
Position as at 31-12-2007	<u><u>1,830</u></u>	<u><u>1,722</u></u>	<u><u>3,552</u></u>

Pensioners	Male		Female		Orphan	Total
	OP	PP	OP	PP	WZP	
Position as at 31-12-2006	452	33	249	192	32	958
Movements in 2007						
Correction to the opening balance	1	-	-	-	-	1
Taken up	53	6	34	21	7	121
Died/terminated	(17)	-	(7)	(6)	(1)	(31)
Surrender	(6)	-	(2)	-	-	(8)
Other	-	-	-	-	-	-
Balance of movements	<u>31</u>	<u>6</u>	<u>25</u>	<u>15</u>	<u>6</u>	<u>83</u>
Position as at 31-12-2007	<u><u>483</u></u>	<u><u>39</u></u>	<u><u>274</u></u>	<u><u>207</u></u>	<u><u>38</u></u>	<u><u>1,041</u></u>

OP = retirement pension
PP = partner's pension
WZP = orphan's pension

6.2 DIVIDING THE PROVISION FOR PENSION LIABILITIES

In the year under review, the provision for pension liabilities can be divided amongst the groups of those insured in the following way:

Dividing the provision amongst the groups insured

	Technical provision
Active members	159,765
Former members	93,100
Pensioners	<u>143,150</u>
Total provision for pension liabilities	<u><u>396,015</u></u>

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6.3 EXPLANATORY LIST OF TERMS

ABTN	An actuarial and technical business report describing the financial structure of the Pension Fund and the accounting principles on which this structure is based.
Active investment	The management of securities whereby by taking a position which differs from a benchmark an attempt is made to exceed the value increase achieved by the benchmark. The opposite is passive management, whereby the benchmark is followed as closely as possible.
Actuarial principles	The basis of the calculations on which the contribution and the provision for pension liabilities of the Fund are based: including the actuarial interest rate, the chances of mortality and incapacity, the terms of the interest and wage rate rises, and the costs.
AFM	Financial Markets Authority
Allocation	Division of invested capital over various investment categories.
ALM	Asset Liability Management, aligning the investment mix with the obligations.
The General Dependants Act Gap (<i>Anw-hiaat</i>)	The General Dependants Act Gap is the difference between the payment to which dependants had a right in accordance with the (now lapsed) General Widows and Orphans Act (<i>Algemene Weduwen en Wezenwet</i> , AWW) and the current General Dependants Act (<i>Algemene Nabestaandenwet</i> , Anw) which became effective on 1 July 1996. A payment under the General Widows and Orphans Act was not income dependant, under the General Dependants Act it is. Should the dependant have his own income, this amount is deducted from the payment in accordance with the General Dependants Act.
Asset mix	The relationship between the investments over the various investment categories, such as shares, real estate and fixed interest-bearing securities.
Benchmark	An objective measure for both the composition and performance of the capital invested.
Credit spread	Interest rate charges above the risk free interest rate which companies have to pay on their bonds.
Custodian	An external party responsible for having custody of the securities. In the case of SPEO, the investment administration, performance measurement and compliance monitoring are also the responsibility of the custodian.

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Funding ratio	The relationship between, on the one hand, the capital available (pension capital) and, on the other, the present value of the pension obligations (the provision for pension liabilities)
DNB	The Central Bank of the Netherlands
Direct asset returns	Interest and dividend income from investments
Duration	The average period of a loan, portfolio of fixed interest-bearing securities or other obligations weighted according to the rate of interest and repayments. Duration is a measure of the interest rate sensitivity. The longer the duration, the greater the effect of interest rate changes on the value.
Supplementary Incapacity Insurance (<i>Excedent-WAO/WIA</i>)	Incapacity insurance for any income which exceeds the maximum benefit wage paid in accordance with the WAO.
Actual contribution	The pension contribution which the Fund charges to the employer in a financial year.
The Fund's capital	The sum of the Fund's provision for pension liabilities and reserves.
Offset sum	That part of the salary over which there is no pension accrual.
FTK	Financial assessment framework, chapter 6 of the 2007 Pension Act
FVP scheme	A scheme organised by the government which enables employees who are involuntarily unemployed to continue their pension accrual whilst they are unemployed.
Desired capital	The capital whereby there is a 2.5% chance that the capital will, within one year, be inadequate to cover the nominal obligations.
Indexation	An increase in the pensions being paid out and the vested pension rights.
Indirect investment returns	Realised and unrealised price and exchange rate gains and losses on investments.
Cost-effective contribution	The contribution which in conformity with the Pension Act is actuarially necessary to meet the Fund's obligations.
Lehman swaps	A specific portfolio of swaps quoted by Lehman Brothers; the objective of this portfolio of swaps is to reflect the Fund's obligation structure as closely as possible. This serves as a benchmark for the Liability Driven Investment mandate.
Life Course Plan	The leave scheme laid down in the VPL Act (VPL = VUT/ pre-pensions and Life Course Plan).
Liability Driven Investment (LDI)	An investment policy whereby the specific pension fund structure of the obligations forms the basis for the benchmark formulated and allows a manager (limited) flexibility to implement an active

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	policy to add value to this LDI benchmark.
Mortality tables	Statistics showing the survival chances of a defined group of people at a particular age (e.g. The Entire Population of men in the Netherlands).
Passive investment	The management of the portfolios by following a previously determined benchmark.
Pensionable earnings	The part of the salary which forms the basis for the pension accrual.
Pension agreement	That which is agreed between an employer and an employee in respect of pensions.
Pension salary	The elements in the salary which are included in the determination of the pension rights to be accrued.
Pension Act	The Act containing rules and regulations governing pensions; effective as of January 2007; successor to the Pension and Savings Fund Act
Performance measure	The comparison of the realised investment results with the previously formulated benchmarks.
Actuarial interest rate	The fictitious yield percentage that the Fund's invested pension capital is deemed to return in the future.
Interest rate risk	The risk to which the Fund is exposed due to a difference in the interest rate sensitivity (duration) of the investments and the interest rate sensitivity (duration) of the obligations.
Degree of maturity	The relationship between the number of non-active members (pensioners and former members) and the total number of members.
Provision for pension liabilities	The present value of the accrued pension obligations without any future rights being accrued (comparable to the Fund's capital)
Adequacy test	A test executed by an actuary to assess the adequacy of the assets held to meet the pension obligation commitments in the longer term.
Tracking error	The measure of risk if the stock exchange index being used as a benchmark is deviated from.
Implementation Agreement	An agreement between an employer and the body responsible for the implementation of one or more pension schemes.
Fixed interest-bearing securities	Investments which in principle have a fixed-interest return and a defined term (amongst others, bonds, medium term notes and negotiable loans).
Usufruct	The lending out of equity on a temporary basis against payment.
Value transfer	The transfer of the present value of the pension rights, with the objective of avoiding any loss of pension when an employee

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	changes pension schemes.
WAO	Incapacity Insurance Act, as at 1 January 2004 became the Employment and Income according to Capacity for Work Act (WIA).
WIA	Employment and Income according to Capacity for Work Act
Marketable securities	Investments in shares, real estate and raw materials.