

Making sense of a complex world*

Accounting for handsets and subscriber acquisition costs





Welcome

The range of service offerings from mobile operators has continued to grow in recent years and there is now a wide variety of commercial models in place across many different market places. There is no prescriptive guidance within International Financial Reporting Standards (IFRS) on accounting for handsets or for subscriber acquisition costs, and practice is divergent. As the International Accounting Standards Board (IASB) has confirmed that it will not be taking this topic on to its agenda, we feel that the time is right for a principles-based framework to help you in your analysis of how to account for these increasingly complex transactions. We trust that you will find it useful.



Paul Barkus

Chairman

PwC Telecom Industry Accounting Group

Introduction

Objectives and scope of this paper

This paper considers the accounting issues related to the provision of handsets by mobile network operators.

There is currently significant variation in the ways in which operators account for handset sales and subscriber acquisition costs. This variation has been acknowledged by the International Financial Reporting Interpretation Committee (IFRIC), which has twice considered and twice declined to take accounting for the topic onto its agenda. The most recent decision, in March 2006, was accompanied by the following explanation:

“The IFRIC acknowledged that the question is of widespread relevance, both across the telecommunications industry and, more generally, in other sectors. IAS 18 does not give guidance on what it means by ‘separately identifiable components’, and practices diverge.

However, the IFRIC noted that the terms of subscriber contracts vary widely. Any guidance on accounting for discounted handsets would need to be principles-based to accommodate the diverse range of contract terms that arise in practice. The IASB is at present developing principles for identifying separable components within revenue contracts. In these circumstances, the IFRIC does not believe it could reach a consensus on a timely basis. The IFRIC, therefore, decided not to take the topic onto its agenda.”

We recognise that the operational and commercial models adopted by operators vary widely across markets and also change over time. This paper is intended to provide a framework to assist in understanding the issues involved and to explain the rationale for some of the more common accounting treatments we have seen in practice. It does not necessarily address each situation that may occur in practice. Nor is it intended to dictate or preclude any particular accounting treatment. Each situation should be considered in light of the relevant facts and circumstances, with the objective that the accounting treatment adopted most faithfully reflects the commercial substance of the arrangement and is appropriate under IFRS.

We aim to provide views on the following questions:

- If a handset is provided together with service, does this constitute one or more deliverables that may need to be accounted for separately?
- Should costs arising from the connection of a new customer be expensed as incurred or treated as an asset and expensed over a period?
- What difference does it make if the operator connects customers via a third-party dealer?
- How should stocks of handsets be accounted for?

We note that a number of operators have responded to questions about their accounting for handsets and acquisition costs from national regulators, including the SEC. At present, regulators appear to recognise that this is a complex area and that more than one accounting treatment for apparently similar transactions may be acceptable.

In this paper, we use the abbreviation “SACs” (subscriber acquisition costs) and “SRCs” (subscriber retention costs) to refer to the costs involved in acquiring and retaining a mobile network end-user customer. “CAC” (customer acquisition costs) and “CRC” (customer retention costs) are also commonly used. Operators often refer to customers as “subscribers” even where there is no ongoing commitment to take service on the part of the customer.

Background to the supply of handsets

Supply of handsets together with service

Customers will typically be offered a handset on first taking service from the operator. In many markets, the customer will make an upfront payment for the handset that is lower than the cost of the handset to the operator or dealer. The price of the handset to the customer will often vary depending on the ongoing monthly commitment the customer makes when signing his or her contract. In other markets, accepted market practice is that the cost of handsets is not subsidised and the customer will pay cost plus some margin.

Sales through dealers

Many mobile operators connect customers for service through independent third party distributors or dealers. The dealers are typically paid a commission for each customer connected to the network. The total paid to the dealer is often made up of a combination of different amounts, such as reimbursement of marketing costs incurred by the dealer, a subsidy against the cost of the handset (which often the dealer will purchase from the operator and resell to the end customer) and other promotional amounts that change on a regular basis to respond to moves in the market by competitors. The commission amounts also vary depending on the type of customer connected – contract/postpay or prepay – and may take into consideration the expected quality of the revenue stream associated with the customer contract. The desire on the part of the operators to “reward” the dealers when better quality customers connect increasingly is being met by revenue share arrangements or anniversary payments when the customer renews his or her initial contract.

Sales through own stores

Operators may sell handsets and service through their own physical or online stores instead of, or in addition to, using third-party dealers.

Note: For the purposes of this paper we divide customers into two types:

- “Contract customers” are those who receive service under an ongoing contract with a minimum monthly tariff and typically are invoiced in arrears.
- “Prepay customers” are those who have no fixed minimum monthly tariff and pay in advance for service through the purchase of vouchers or electronic credits. They typically receive no invoice detailing calls made. A customer who has an ongoing service contract with a minimum monthly charge but is required to pay a security deposit or an upfront payment for service is a “contract customer” for the purposes of this paper.

Principle 1

Accounting for handset sales should reflect the economic substance of the transaction

Selling handsets below cost makes no sense in isolation. The operator is prepared to suffer a shortfall at the outset of its relationship with the customer in the expectation that this will be recouped over time through the profit on services provided to the customer.

In the case of a postpay contract customer, the operator is likely to be able to predict with reasonable accuracy the average minimum level of return it will achieve over the contract period. In the case of a prepay customer, there is likely to be little or no guaranteed future revenue, and typically the level of subsidy offered will be lower than for a contract customer or there may be no subsidy at all.

When considering the accounting for the sale of a handset together with service, the economics of the arrangement as a whole must be understood. Factors that may be relevant in obtaining a full understanding of the arrangement include:

- Does the operator sell handsets without service? If so, is the price of such handsets higher than those sold with service?
- Can customers obtain service by providing their own handset for connection to the operator's network? If so, does the operator offer these customers the same tariff plans?
- Does the price charged for a handset vary with the tariff plan to which the customer subscribes?
- Are handsets "locked" to the operator's network? If so, how readily can they be unlocked?
- How does the operator's business model compare with other market participants?

Taking these and other relevant facts into consideration will assist in answering the first question: If a handset is provided together with service, does this constitute one or more deliverables that may need to be accounted for separately? There is limited guidance in IFRS, but the principles in IAS 18 are helpful:

"The recognition criteria in this Standard are usually applied separately to each transaction. However, in certain circumstances, it is necessary to apply the recognition criteria to the separately identifiable components of a single transaction in order to reflect the substance of the transaction. For example, when the selling price of a product includes an identifiable amount for subsequent servicing, that amount is deferred and recognised as revenue over the period during which the service is performed. Conversely, the recognition criteria are applied to two or more transactions together when they are linked in such a way that the commercial effect cannot be understood without reference to the series of transactions as a whole. For example, an entity may sell goods

and, at the same time, enter into a separate agreement to repurchase the goods at a later date, thus negating the substantive effect of the transaction; in such a case, the two transactions are dealt with together.” [Paragraph 13]

The following are circumstances indicating that the provision of a handset and of service are economically separable transactions:

- There is a separate market for handsets without service.
- Handsets are marketed as a valuable item in their own right, for example, by highlighting certain specific features.
- Customers can provide their own handset (which could be obtained from another supplier) and, in that case, are offered the same (or economically very similar) tariff plans as those taking a new handset from the operator.
- The price of a handset does not vary with the tariff chosen by the customer.
- Handsets are readily unlocked and can be used on another operator’s network, and there is a market in used handsets.
- Taken together, the evidence suggests that the sale of a handset is a line of business in its own right.

Conversely, the following are indicative that the provision of a handset and service should be regarded as a single deliverable:

- Handsets are sold only with service.
- Customers cannot use an existing handset (or a handset purchased from an alternative supplier) to access the operator’s services. This typically will be because of technological incompatibility, e.g. a 2G handset will offer no access or reduced functionality on a 3G network; a cdma 2000 handset typically cannot access a GSM network.
- Handsets are securely locked and/or there is no legitimate secondhand market.

- Taken together, the evidence suggests that the provision of a handset is a necessary precursor to offering service and not a revenue-generating activity in its own right.

In practice, it is unlikely that all of the factors in either of those two lists will apply concurrently. When there are mixed indicators, the circumstances should be considered carefully and weight should be given to the factors that have the greatest economic importance. It is also possible that an operator will have more than one business model in place at the same time, i.e. some handset sales are economically separable and some are not.

There are thus four principal ways in which a handset may be transferred from the operator to the end customer:

- As a separable revenue-generating transaction without an accompanying service contract.
- As a separable revenue-generating transaction that should be considered together with a separable service commitment.
- As part of a revenue-generating arrangement that cannot be separated from the provision of service.
- As a non revenue-generating transaction that is considered as an element of the cost of acquiring the customer.

Our experience of typical arrangements over recent years has shown that it is more common for the handset to be treated as a separate revenue-generating transaction, although there are examples of each of the above in practice.

Principle 2

The cost of acquiring a customer contract should be treated as an intangible asset if it meets the recognition criteria under IAS 38

An intangible asset is an identifiable non-monetary asset without physical substance. In order to be regarded as an asset, the intangible must be controlled by the entity holding it and must be expected to generate future economic benefit for that entity.

IAS 38 contains the following guidance:

“An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, ie is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.” [Paragraph 12], and

“An intangible asset shall be recognised if, and only if:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.” [Paragraph 21]

A contract between the operator and the customer prima facie meets the identifiability criterion in paragraph 12(b). However, once a customer is outside his or her contract period (postpay customers) or has used the initial charge on a prepay account (prepay customers), it will not usually be possible for the operator to demonstrate “control” over the asset. The useful economic life of a contract asset is thus likely to be the minimum (at the option of the customer) contract period.

If the operator does not have a practice of enforcing contract terms in the event of a customer defaulting, this impacts an assessment of the carrying value of the contract asset not whether the asset exists, i.e. it is an issue of measurement rather than recognition. In this respect, IFRS differs, for example, from US and UK GAAP, where enforcement in practice is regarded as a necessary indicator that an asset exists.

There is little direct guidance on how to measure the cost of acquiring a customer contract. The following is taken from IAS 18; although subject to debate in the broader context of how to account for customer contracts and customer relationships in various industries, it does represent current GAAP and does not conflict with the IFRS Framework.

“Incremental costs that are directly attributable to securing an investment management contract are recognised as an asset if they can be identified separately and measured reliably and if it is probable that they will be recovered. As in IAS 39, an incremental cost is one that would not have been incurred if the entity had not secured the investment management contract. The asset represents the entity’s contractual right to benefit from providing investment management services, and is amortised as the entity recognises the related revenue. If the entity has a portfolio of investment management contracts, it may assess their recoverability on a portfolio basis.” [Appendix Paragraph 14 (iii)].

Using the above and general principles of cost measurement as a guide, the following items may be regarded as qualifying as part of the cost of acquiring a customer contract:

- The commission payment made to a dealer intermediary as consideration for signing the customer up to the operator’s contract.
- The commission payment made to an employee as consideration for signing the customer where the payment is directly related to the acquisition of a contract and not simply part of the ongoing establishment cost of the operator’s own store network.
- In cases where the provision of the handset is not regarded as a separate revenue-generating transaction, the cost of a handset provided to the customer.

The following would not be regarded as forming part of the cost of acquisition:

- Marketing support and similar payments made to dealers which are not directly related to the signature of individual customer contracts.
- Overhead costs that are not incremental and/or not directly attributable to individual contracts.
- The loss on sale of a handset where the sale is regarded as a separable revenue-generating transaction.

Particular care needs to be taken when considering internal costs, for example, employee commissions. Costs incurred to develop intangible assets such as customer lists may not be capitalised because they cannot be distinguished from the costs of development of the business as a whole. If an employee commission

can be linked directly to the acquisition of a qualifying intangible asset (in this case, a customer contract), it does meet the recognition criteria under IAS 38. Internal costs that are not incremental and directly related to the acquisition of a contract should be expensed as incurred. Employee commission that is effectively guaranteed or is otherwise in the nature of a regular salary cost rather than a genuinely contingent incentive is not incremental and should not be capitalised. The determination of whether a particular commission structure is truly incremental and not a substitute for salary is a matter of judgement.

As noted in the introduction, accounting for SACs in practice is varied and many operators do not treat the cost of acquisition of customer contracts as intangible assets under IAS 38. Reasons given for such treatment include:

- Established industry or comparator company practice of expensing SACs as incurred.
- The practical difficulty of capturing and tracking SACs on an individual customer basis.
- The “year on year” income statement difference between the two approaches being not material.

An argument against capitalisation that may be considered more robust from a pure technical viewpoint is the inability to measure the qualifying costs reliably. Amounts paid to dealers often comprise multiple elements that may change weekly to respond to market trends or support a particular marketing strategy. For example: “commission” payments may comprise fixed and variable amounts, have volume-related multipliers or be linked to future revenue streams; “marketing support” payments may be related directly to promotion of the operator’s marketing material in-store or be linked to volumes sold; “handset subsidies” can vary depending on the tariff taken by the customer. In addition, the amounts invoiced for various individual components of the operator-dealer relationship may not reflect their fair value – an example is the situation where handsets are invoiced at cost plus a margin to deter the practice of “box breaking”. The operator will have a total budget it is prepared to spend to acquire customers, and the dealer a total income target – neither may be particularly concerned about how those amounts are described or sub-divided. In these circumstances, it can be argued that it is not possible to determine reliably the incremental, directly attributable cost of acquiring a customer contract and therefore that all costs should be treated as general business expenditure and recognised in the income statement as they are incurred.

Principle 3

The accounting treatment for handsets and acquisition costs should be consistent whether or not a dealer is involved

Operators may provide handsets and acquire contracts directly through their own retail stores or indirectly through third-party dealers. Questions often arise as to whether the treatment of handset sales and acquisition costs should be different depending on the delivery channel.

While each circumstance should be considered in light of all relevant facts, there are advantages in terms of comparability and clarity if symmetrical treatments are applied for similar transactions effected either directly (through own stores) or indirectly (through dealers).

In the situation where the operator connects customers via dealers, it is relatively easy to understand how payments to the dealer in return for delivering a signed customer contract are treated as a SAC. The SAC may comprise, for example, a commission payment and the provision of a handset at less than cost.

In the scenario in which the operator deals directly with end-user customer, there is no commission payment but there may still be a transaction that generates a SAC.

Consider the model in which the customer receives a handset free of charge in conjunction with signing an annual contract. The operator has determined that the provision of the handset is not a separable revenue-generating activity. In this case, the (non-cash) consideration paid by the operator in order to secure the annual service contract is the handset. The cost of acquiring the contract is equal to the cost of the handset to the operator. If the customer makes a payment towards the handset (and it can be demonstrated that the payment is indeed in this regard and not a component of the annual service charge), that payment is in substance a reduction in the consideration paid to acquire the contract i.e. it is a reduction in SAC. It should be noted that this view is not universally supported. Some argue that any payment from a customer should be treated as a component of revenue or deferred revenue. IFRIC is currently considering contributions from customers in the context of contracts for the supply of an asset, and further guidance can be expected later in 2008.

Principle 4

Accounting for handset inventory should be consistent with the accounting for the disposition of the handset

Applying the criteria in Principle 1 results in three potential ways in which the sale of a handset might be considered:

- As a separable revenue-generating transaction without an accompanying service contract.
- As a separable revenue-generating transaction that should be considered together with a separable service commitment; or
- As part of an arrangement that cannot be separated from the provision of service.

The fourth case in Principle 1 does not result in a revenue-generating transaction, but in the recognition of a SAC (which may be treated as an expense or as an intangible asset dependent on the results of the analysis under Principle 2).

Operators often purchase handsets from the manufacturer and supply them directly or indirectly (through dealers) to end-user customers. Accounting for inventories is governed by IAS 2.

IAS 2 defines inventories as assets:

- “held for sale in the ordinary course of business;
- in the process of production for such sale; or
- in the form of materials or supplies to be consumed in the production process or in the rendering of services.” [Paragraph 6]

Inventories are to be measured at the lower of cost and net realisable value (NRV). NRV takes into consideration the purpose for which the inventory is held.

When an operator holds handset inventories for resale and makes a margin on the sale, provisions are required only for obsolete, damaged or surplus stocks. However, where the operator has a business model involving the provision of handsets below cost price, the question arises as to whether such inventories should be written down, either when initially acquired or at each period end reporting date.

Since NRV takes into consideration the purpose for which inventory is held, it is appropriate for an operator to take into account all of the cash flows that arise directly from the disposition of the handset. In simple terms, where handsets are sold together with a service contract, we consider that it is appropriate to take into account the margin expected which will arise from the new customer's use of service when determining NRV.

The following illustrates this principle for each of the three handset sale scenarios listed opposite:

Handset disposition	Treatment of handset inventory
Sold to the customer in a separable revenue-generating transaction without a service commitment	In this case there is no service contract margin to consider. Inventory should be held at the lower of cost and NRV. NRV takes into account the expected sale price and any direct costs of realisation.
Sold to the customer in a separable revenue-generating transaction with a separable service commitment	In this case there is a service contract and it is appropriate to consider the impact of the service contract when determining NRV. NRV takes into account the expected sale price and any direct costs of realisation. NRV also takes into account the expected margin on future service which is connected with the provision of the handset.
Sold to the customer in an arrangement, which cannot be separated from the provision of service	In this case, the service contract and provision of the handset are part of the same transaction. NRV takes into account the expected margin on the total arrangement with the customer, being any upfront payment plus the margin expected on future service.
Transferred to the customer in a transaction which does not result in revenue but is part of the cost of acquiring the customer	In this case, the handset will be transferred to the customer in exchange for the customer taking on a service contract commitment of some sort. NRV should be determined as for the second or third cases above, taking into account the margin expected on future service.

Note that the way in which NRV is applied is based on the expected manner of realisation of the value of the handset. This analysis does not rely on the argument applied in certain national GAAPs that the carrying value of a handset should be based on the maximum for which it could theoretically be sold (i.e. provided at least some handsets are sold above cost, it is not necessary to make provision against any handsets). Where the operator expects to sell handsets via more than one of the three potential scenarios, an estimate should be made of the number of handsets that will be disposed of via each route and each tranche of handsets should be accounted for accordingly.

Principle 5

The accounting useful life of a SAC asset reflects the nature of the asset

In situations where SAC qualifies as an intangible, the asset being carried is the contract with the customer. The accounting useful life of such an asset is the contract term and the basis for amortisation is straight-line unless another basis is deemed more reflective of the commercial substance of the arrangement.

Current guidance is that a method that results in accumulated amortisation lower than would be recorded under a straight-line method is unlikely to be appropriate.

It is not always obvious what “contract term” actually means in practice. The simplest cases are where:

- There is a fixed initial term requiring the customer to pay a minimum amount each month and the operator has the right to charge for the unexpired term if the customer wishes to leave early; and
- History indicates that the majority of customers cease service at the end of the initial term or require some incentive to sign-up for a contract term extension.

The situation becomes more complicated when, for example, the contract has no fixed term and rolls from month to month unless one party gives notice of cancellation. In this scenario, the contract term for the purpose of this paper is the initial term during which the operator has the right to enforce a cancellation fee. More complex scenarios require analysis on a case-by-case basis with the objective of determining the contract life.

Note that the asset acquired on signing up the customer is the contract. Customer relationships have commercial value and that value may be recognised as an asset (in addition to customer contracts) in a business combination or when an existing relationship is purchased from the holder of that relationship. It is not appropriate to recognise a “customer relationship” asset on initially signing up the customer because at that point there is no relationship. Similarly, it is not appropriate to recognise a customer relationship asset that arises through the normal course of providing service to the customer because it is akin to internally generated goodwill and does not meet the recognition criteria in IAS 38. Where a customer relationship asset is recognised in a business combination, its useful life is likely to exceed that of a customer contract asset.

A customer may choose to renew his or her contract at the end of its normal term. Where formal renewal occurs, i.e. the contract is extended for a new fixed period or a new contract is signed, costs incurred by the operator to secure that renewal should be analysed in the same manner as for new customer acquisition. Retention costs (SRCs), such as the provision of a new handset should be treated in the same manner as SACs. Retention activities such as the offer of discounted future service, are adjustments to future revenue, not costs.

Principle 6

The nature of payments to dealers, not their timing, drives the accounting treatment

Arrangements between operators and dealers continue to evolve. There has been a move towards reducing the upfront commission payment and making additional payments over the customer relationship period.

There are two primary commercial factors driving this change – a desire to encourage the dealer to secure higher-quality (higher spending, more loyal) customers and managing cash flows.

It is necessary to understand the commercial effect of deferred payment schemes in order to determine the appropriate accounting. Payments may be called “deferred commission”, “anniversary” or “revenue share”, while having commercial substance that does not necessarily match the nomenclature. In our experience, there are three basic commercial models that operate in practice. The primary distinction from an accounting viewpoint depends on whether the dealer has substantially discharged its obligations when the customer contract is signed or whether it continues to be involved in some element of service provision through the customer life. In each case the accounting should reflect commercial substance if that differs from the legal form of the arrangement. The three basic models are described briefly below:

The arrangement is primarily for cash flow management

In place of a large upfront fee, the operator makes monthly payments which in aggregate are similar to the total which was formerly paid upfront, probably with a premium which broadly equates to an interest charge. This is simple deferral of payment - the timing of payments to the dealer does not affect the accounting treatment. It is likely that the total payable would meet the definition of a financial liability and should be recognised in full on inception of the arrangement, with a corresponding acquisition cost being recorded at the same time.

The arrangement includes a genuine incentive for the dealer to acquire higher-margin customers

In this circumstance, the dealer may earn a guaranteed monthly payment plus a variable amount depending on amounts spent by the customer. Again, it is likely that the at least part of the total payable meets the definition of a financial liability at the outset of the arrangement because the dealer has fully performed his obligations under the contract with the operator. A liability should be recognised on inception of the arrangement. Views differ on whether this should be either (i) the minimum unavoidable payment (i.e. the guaranteed amount) or (ii) a best estimate of the total likely payment (i.e. the guaranteed amount plus an estimate of the variable payments). Both approaches have their supporters and can be seen in current practice. As for the first case, an acquisition cost equating to the liability should be recognised on inception of the contract.

The dealer continues to provide a service through the life of the customer relationship

Where the service is substantive, e.g. the dealer performs billing and collection services on behalf of the operator, it is appropriate that part of the amount payable be allocated to this service and be recognised as the service is performed. The remainder, if any, is treated as for the first two scenarios. Where the “service” is intangible or of little commercial value e.g. acting as a referral point for customer service issues, the substance of the arrangement is actually deferred payment of the commission earned by the dealer for signing up the customer. This should be recognised as for case (i) above.

Where an acquisition cost is recognised, its treatment should follow the guidelines in Principle 2.

The comments in this paper are based on our understanding of IFRS as of June 2008. You should consult your usual PricewaterhouseCoopers service contact or other professional adviser before acting on any information in this paper.

Telecommunications Industry Accounting Group (TIAG)

PricewaterhouseCoopers' Telecommunications Industry Accounting Group (TIAG) brings together PwC telecom specialist knowledge worldwide to help our clients. Our role is to help operators interpret and implement new and complex standards that have a particular impact on our industry.

Our TIAG Portal provides FREE online access to a wealth of industry specific guidance and best practice on the application of IFRS and GAAP within the communications sector.

Updated regularly by PwC's telecoms experts, the site provides:

- Industry specific accounting solutions.
- Hot topics from our telecom technical specialists.
- Relevant technical publications.
- Industry thought leadership.
- Industry news.
- Links to relevant PwC sites.
- Opportunity to consult the experts through our discussion forum

To find out more, please contact Nirmal Shah at nirmal.k.shah@uk.pwc.com or +44 (0) 20 7213 1436.

Contacts

PricewaterhouseCoopers has dedicated IFRS specialism in most territories. Should you wish to talk to a specialist in your local country, please contact a member of the team who will be able to put you in touch with the most relevant person.

Americas

John Horan
Florham Park
john.horan@us.pwc.com
[1] (973) 236 4997

Pierre-Alain Sur
Little Rock
pierre-alain.sur@us.pwc.com
[1] (501) 907 8085

EMEA

Paul Barkus
London
paul.barkus@uk.pwc.com
[44] (20) 7213 5514

Fiona Dolan
London
fiona.mc.dolan@uk.pwc.com
[44] (20) 7213 4885

Katharine Finn
London
katharine.finn@uk.pwc.com
[44] (20) 7213 4105

Peter Hogarth
London
peter.hogarth@uk.pwc.com
[44] (20) 7213 1654

Fernand Izeboud
Amsterdam
fernand.izeboud@nl.pwc.com
[31] (20) 568 4226

Olivier Scherer
London
olivier.x.scherer@uk.pwc.com
[44] (20) 7 213 1497

Thomas Tandetzki
Düsseldorf
thomas.tandetzki@de.pwc.com
[49] (211) 981 1105

Asia Pacific

Laura Butler
Beijing
laura.butler@cn.pwc.com
[86] (10) 6533 2363

Matthieu Moussy
Tokyo
matthieu.moussy@jp.pwc.com
[81] (80) 3520 5216

Sean Tuckfield
Hong Kong
sean.tuckfield@hk.pwc.com
[852] 2289 2368

www.pwc.com

This publication has been prepared for general guidance on matters of interest only, and does not constitute professional advice. You should not act upon the information contained in this publication without obtaining specific professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication, and, to the extent permitted by law, PricewaterhouseCoopers LLP, its members, employees and agents accept no liability, and disclaim all responsibility, for the consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it.

© 2008 PricewaterhouseCoopers LLP. All rights reserved. 'PricewaterhouseCoopers' refers to PricewaterhouseCoopers LLP (a limited liability partnership in the United Kingdom) or, as the context requires, other member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

Design hb02392

Printed on FSC approved paper.