

Appendix 1

Areas not relevant to PwC Holdings Ltd Group

1. Adoption of FRS 40 *Investment Property*
 - a. Account for both FRS 40 and deferred tax retrospectively
 - b. Adopt FRS 40 prospectively and account for deferred tax retrospectively
2. Revenue recognition: multiple element arrangements
3. Provision for dismantlement, removal and restoration
4. Post-employment Benefits – Pension and medical benefits
5. Defaults and breaches of loans payable
6. Convertible foreign currency bonds – classify as liability in entirety
7. Properties under development for sale

Appendix 2

Critical accounting estimates, assumptions and judgements not relevant or material to PwC Holdings Ltd Group

1. Critical accounting estimates
2. Critical accounting judgements

Additional Illustrative Disclosures

Reference

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 1: Adoption of FRS 40 Investment Property

A) For entities which accounted for FRS 40 and deferred tax liability retrospectively

Extracts of effects of adoption of new standards:

The Group adopted FRS 40 *Investment Property* on 1 January 2007, which is the effective date of the Standard.

FRS 8(28)(a)

The Group elected to account for the effects of adoption of FRS 40 retrospectively in the financial statements for the financial year ended 31 December 2007, in accordance with the transitional provisions of FRS 40. The effect of the deferred tax liability on increases in fair values was also accounted for retrospectively.

FRS 8(28)(b-d)

The adoption of FRS 40, together with the effect of deferred tax, affected the following items:

FRS 8(28)(f,g)

Group

	Increase/(Decrease)		
	As at		
	31.12.2007	31.12.2006	1.1.2006
	\$'000	\$'000	\$'000
<u>Balance sheets</u>			
Investment properties	[]	[]	[]
Property, plant and equipment	[]	[]	[]
Deferred tax liability	[]	[]	[]
Asset revaluation reserve	[]	[]	[]
Retained earnings	[]	[]	[]
	<hr/>		
	For year ended		
	31 December		
	2007	2006	
	\$'000	\$'000	
<u>Income statements</u>			
Other losses – net	[]	[]	
Depreciation expense	[]	[]	
Tax expense	[]	[]	
	<hr/>		
Earnings per share (\$ per share)			
– basic	[]	[]	
– diluted	[]	[]	
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Additional Illustrative Disclosures

Reference

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 1: Adoption of FRS 40 *Investment Property* (continued)

B) For entities which adopted FRS 40 prospectively and accounted for deferred tax liability retrospectively

Extracts of effects of adoption of new standards:

The Group adopted FRS 40 *Investment Property* on 1 January 2007, which is the effective date of the Standard.

FRS 8(28)(a)

The Group elected to account for the effects of adopting FRS 40 prospectively from 1 January 2007 in the financial statements for the financial year ended 31 December 2007, in accordance with the transitional provisions of FRS 40. The effect of the deferred tax liability on increases in fair values was accounted for retrospectively.

FRS 8(28)(b-d)

The adoption of FRS 40, together with the effect of deferred tax, affected the following items:

FRS 8(28)(f,g)

Group

	Increase/(Decrease)		
	As at		
	31.12.2007	31.12.2006	1.1.2006
	\$'000	\$'000	\$'000
<u>Balance sheets</u>			
Investment properties	[]	–	–
Property, plant and equipment	[]	–	–
Deferred tax liability	[]	[]	[]
Asset revaluation reserve	[]	[]	[]
Retained earnings	[]	[]	[]
	<hr/>		
	For year ended		
	31 December		
	2007	2006	
	\$'000	\$'000	
<u>Income statements</u>			
Other losses – net	[]	–	
Depreciation expense	[]	–	
Tax expense	[]	[]	
	<hr/>		
Earnings per share (\$ per share)			
– basic	[]	[]	
	<hr/>		

Example 2: Revenue recognition – multi-element arrangements

Extracts of significant accounting policies:

Revenue recognition

Multiple-element arrangements

FRS 18(13)

The Group offers certain arrangements where a customer can purchase certain electronic equipment, together with a two-year maintenance contract. When such multiple element arrangements exist, the amount recognised as revenue upon the sale of the equipment is the fair value of the equipment in relation to the fair value of the arrangement taken as a whole and is recognised when the equipment is delivered and the customer accepted the delivery. The revenue relating to the service element, which represents the fair value of the maintenance arrangement in relation to the fair value of the arrangement taken as a whole, is recognised over the maintenance period evenly. The fair value of each element is determined based on the current market price when the elements are sold separately.

Additional Illustrative Disclosures

Reference

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 3: Provision for dismantlement, removal and restoration

Extracts of significant accounting policies:

Property, plant and equipment

Measurement

Components of costs

FRS 16(16)(c)

“.....The projected cost of dismantlement, removal or restoration is also recognised as part of the cost of property, plant and equipment if the obligation for the dismantlement, removal or restoration is incurred as a consequence of either acquiring or using the asset for purpose other than to produce inventories”.

Provisions

Provisions for asset dismantlement, removal or restoration are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amounts have been reliably estimated.

FRS 37(14)

The Group recognises the estimated costs of dismantlement, removal or restoration of items of property, plant and equipment arising from the acquisition or use of assets. This provision is estimated based on the best estimate of the expenditure required to settle the obligation, taking into consideration time value.

FRS 37(36)

Changes in the estimated timing or amount of the expenditure or discount rate for asset dismantlement, removal and restoration costs are adjusted against the cost of the related property, plant and equipment, unless the decrease in the liability exceeds the carrying amount of the asset or the asset has reached the end of its useful life. In such cases, the excess of the decrease over the carrying amount of the asset or the changes in the liability is recognised in the income statement immediately.

INT FRS 101(5)

Extracts of notes to the financial statements:

Dismantlement, removal or restoration of property, plant and equipment

FRS 37(85)(a)

The Group uses various chemicals in the manufacture of component parts. A provision is recognised for the present value of costs to be incurred for the restoration of the manufacturing sites. It is expected that \$[] will be used during 2008 and \$[] during 2009. Total expected costs to be incurred are \$[] (2006: \$[]).

Movement in this provision is as follows:

	<u>Group</u>		<u>Company</u>	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Beginning of financial year	[]	[]	[]	[]
Provision made	[]	[]	[]	[]
Provision utilised	[]	[]	[]	[]
Amortisation of discount	[]	[]	[]	[]
End of financial year	[]	[]	[]	[]

FRS 37(84)(a)

FRS 37(84)(b)

FRS 37(84)(c)

FRS 37(84)(e)

FRS 37(84)(a)

Example 4: Post-employment Benefits – Pension and medical benefits

Extracts of significant accounting policies:

Employee compensation

(a) Pension benefits

The Group operates both defined benefit and defined contribution post-employment benefit plans.

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The Group's contributions are recognised as employee compensation expense when they are due.

FRS 19(7)

FRS 19(44)

Defined benefit plans are post-employment benefit pension plans other than defined contribution plans. Defined benefit plans typically define the amount of benefit that an employee will receive on or after retirement, usually dependent on one or more factors such as age, years of service and compensation.

FRS 19(7)

The liability recognised in the balance sheet in respect of a defined benefit pension plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using market yields of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and have tenures approximating to that of the related post-employment benefit obligations.

FRS 19(54)

FRS 19(64)

FRS 19(78)

Actuarial gains and losses¹ are recognised directly in retained earnings and presented in the Statement of Recognised Income and Expense in the period when they arise.

FRS 19(93-93D)

FRS 19(120A)(a)

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

FRS 19(96)

Example 4: Post-employment Benefits – Pension and medical benefits (continued)

Extracts of significant accounting policies: (continued)

(b) Post-employment medical benefits

Some group companies provide post-employment healthcare benefits to their retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit plans. Actuarial gains and losses¹ are recognised directly in retained earnings and presented in the Statement of Recognised Income and Expense in the period when they arise. These obligations are valued annually by independent qualified actuaries.

FRS 19(120A)(b)

FRS 19(120A)(a)

Guidance Notes

Post-employment benefits

1. There are three approaches to account for actuarial gains and losses, namely:
 - (a) corridor approach – in which actuarial gains and losses outside the corridor threshold are recognised in the income statement over the expected average remaining working lives of the participants of the plan;
 - (b) Statement of Recognised Income and Expense (“SoRIE”) approach - recognising all actuarial gains and losses directly to reserves (as illustrated above). If this option is elected, the preparer must present SoRIE, rather than a Statement of Changes in Equity, as a primary statement; and
 - (c) any systematic method that results in faster recognition of actuarial gains and losses than the corridor approach. Such permitted methods include immediate recognition of all actuarial gains and losses to the income statement. Although this method introduces significant volatility to the income statement, it is easy to implement.
2. When an entity has more than one defined benefit plan, disclosures may be made in total, separately for each plan, or in such groupings as are considered to be more useful. It may be useful to distinguish groupings by criteria such as follows:
 - (a) the geographical location of the plans, for example, by distinguishing domestic plans from foreign plans; or
 - (b) whether plans are subject to materially different risks, for example, by distinguishing flat salary pension plans from final salary pension plans and from post-employment medical plans.

FRS 19(92-93)

FRS 19(93A)

FRS 19(93)

FRS 19(122)

When an entity provides disclosures in total for a grouping of plans, such disclosures are provided in the form of weighted averages or of relatively narrow ranges.

Additional Illustrative Disclosures

Reference

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 4: Post-employment Benefits – Pension and medical benefits (continued)

Extracts of notes to the financial statements:

	Group	
	2007	2006
	\$'000	\$'000
Balance sheet obligations for:		
Pension benefits	3,225	1,532
Post-employment medical benefits	1,410	701
	4,635	2,333
Income statement charge for:		
Pension benefits	755	488
Post-employment medical benefits	149	107
	904	595

(a) Pension benefits

	Group	
	2007	2006
	\$'000	\$'000
The amount recognised in the balance sheet is determined as follows:		
Present value of funded obligations	6,155	2,943
Fair value of plan assets	(5,991)	(2,797)
	164	146
Present value of unfunded obligations	3,206	1,549
Unrecognised past service cost	(145)	(163)
Liability recognised in the balance sheet	3,225	1,532

FRS 19(120A)(d,f)

	Group	
	2007	2006
	\$'000	\$'000
The amounts recognised in the income statement are as follows:		
Current service cost	751	498
Interest cost	431	214
Expected return on plan assets	(510)	(240)
Past service cost	18	16
Curtailment	65	--
	755	488

FRS 19(120A)(g)

Included in:		
Cost of goods sold	516	319
Administrative expenses	239	169
	755	488

FRS 19(120A)(g)

Actual return on plan assets	495	235
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FRS 19(120A)(m)

Additional Illustrative Disclosures

Reference

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 4: Post-employment Benefits – Pension and medical benefits (continued)

Extracts of notes to the financial statements: (continued)

Movement in the defined obligation is as follows:

FRS 19(120A)(c)

	Group	
	2007	2006
	\$'000	\$'000
Beginning of financial year	4,492	3,479
Current service cost	751	498
Interest cost	431	214
Contributions by plan participants	55	30
Actuarial (gains)/losses	(15)	495
Currency translation differences	(43)	(103)
Benefits paid	(66)	(121)
Subsidiaries acquired	3,691	–
Curtailments	65	–
End of financial year	9,361	4,492

Movement in the fair value of plan assets is as follows:

FRS 19(120A)(e)

	Group	
	2007	2006
	\$'000	\$'000
Beginning of financial year	2,797	2,264
Expected return on plan assets	510	240
Actuarial losses	(15)	(5)
Currency translation differences	25	(22)
Contributions by the employer	908	411
Contributions by plan participants	55	30
Benefits paid	(66)	(121)
Subsidiaries acquired	1,777	–
End of financial year	5,991	2,797

The principal actuarial assumptions used were as follows:

FRS 19(120A)(n)

	Group	
	2007	2006
Discount rate	7.0%	6.8%
Expected return on plan assets	8.5%	8.3%
Future salary increases	5.0%	4.5%
Future pension increases	3.0%	2.5%

Additional Illustrative Disclosures

Reference

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 4: Post-employment Benefits – Pension and medical benefits (continued)

Extracts of notes to the financial statements: (continued)

Assumptions regarding future mortality experience are set based on advice in accordance with published statistics and experience in each territory.

The average remaining life expectancy in years of a pensioner retiring at age 65 is as follows:

	2007	2006
Male	18.5	18.5
Female	22.0	22.0

(b) Post-employment medical benefits

The Group operates a number of post-employment medical benefit schemes, principally in the Philippines. The method of accounting, assumptions and the frequency of valuations are similar to those used for defined benefit pension schemes.

FRS 19(120A)(a,b)

In addition to the assumptions set out above, the main actuarial assumption is a long-term increase in health costs of 8.0% a year (2006: 7.6%).

FRS 19(120A)(n)

The amount recognised in the balance sheet is determined as follows:

FRS 19(120A)(d,f)

	2007	Group 2006
	\$'000	\$'000
Present value of funded obligations	705	340
Fair value of plan assets	(620)	(302)
	85	38
Present value of unfunded obligations	1,325	663
Liability recognised in the balance sheet	1,410	701

The amounts recognised in the income statement are as follows:

FRS 19(120A)(g)

	2007	Group 2006
	\$'000	\$'000
Current service cost	153	107
Interest cost	49	25
Expected return on plan assets	(53)	(25)
	149	107
Included in:		
Cost of goods sold	102	71
Administrative expenses	47	36
	149	107
Actual return on plan assets	51	24

FRS 19(120A)(g)

FRS 19(120A)(m)

Additional Illustrative Disclosures

Reference

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 4: Post-employment Benefits – Pension and medical benefits (continued)

Extracts of notes to the financial statements: (continued)

Movement in the defined benefit obligation for post-employment medical plan is as follows:

FRS 19(120A)(c)

	Group	
	2007	2006
	\$'000	\$'000
Beginning of financial year	1,003	708
Current service cost	153	107
Interest cost	49	25
Actuarial (gains)/losses	(2)	204
Currency translation differences	25	(41)
Subsidiaries acquired	802	–
End of financial year	2,030	1,003

Movement in the fair value of plan assets for post-employment medical plan is as follows:

FRS 19(120A)(e)

	Group	
	2007	2006
	\$'000	\$'000
Beginning of financial year	302	207
Expected return on plan assets	53	25
Actuarial losses	(2)	(1)
Currency translation differences	5	(2)
Contributions by the employer	185	73
Subsidiaries acquired	77	–
End of financial year	620	302

The effect of a 1% change in the assumed medical cost trend rate is as follows:

FRS 19(120A)(o)

	Group	
	Increase	Decrease
	\$'000	\$'000
Effect on the aggregate of the current service cost and interest cost	24	(20)
Effect on the defined benefit obligation	366	(313)

Additional Illustrative Disclosures

Reference

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 4: Post-employment Benefits – Pension and medical benefits (continued)

Extracts of notes to the financial statements: (continued)

The amounts recognised in SoRIE for pension and post-employment medical benefits were as follows:

	2007 \$'000	2006 \$'000	
Actuarial losses recognised during financial year	–	705	FRS 19(120A)(h)
Cumulative actuarial losses recognised	705	705	FRS 19(120A)(i)

Plan assets of pension and post-employment medical benefits comprise the following:

	2007		Group		2006	
	\$'000	%	\$'000	%	\$'000	%
Equity securities	3,256	49	1,595	51		
Debt securities	2,571	39	855	28		
Other	784	12	649	21		
	6,611	100	3,099	100		

Plan assets include the Company's ordinary shares with a fair value of \$136,000 (2006: \$126,000) and a building occupied by the Group with a fair value of \$612,000 (2006: \$609,000).

FRS 19(120A)(k)

The expected return on plan assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity and property investments reflect long-term real rates of return experienced in the respective markets.

FRS 19(120A)(l)

Expected contributions to pension post employment medical benefit plans for the financial year ending 31 December 2008 are \$1,150,000.

FRS 19(120)(q)

	2007 \$'000	2006 \$'000	Group		2005 \$'000	2004 \$'000	
Beginning of financial year							
Present value of defined benefit obligation	11,391	5,495			4,187	3,937	
Fair value of plan assets	(6,611)	(3,099)			(2,471)	(2,222)	
Deficit	4,780	2,396			1,716	1,715	
Experience adjustments on plan liabilities	(326)	125			55	–	
Experience adjustments on plan assets	(17)	(6)			(197)	–	

FRS 19(120A)(p)

Example 5: Defaults and breaches of loans payable

Extracts of notes to the financial statements:

Borrowings

Default of loan payments

FRS 107(18)

The Company was overdue in interest payments of \$[] on bank borrowings with a carrying amount of \$[]. The Company experienced a temporary shortage of funding because cash outflows in the second and third quarters for business expansion in [countries] were higher than anticipated. As a result, interest payables of \$[] due by [date] remained unpaid.

The Company has paid all outstanding amounts (including additional interest and penalties for the late payment) during the fourth quarter.

Breaches of loan covenants

FRS 107(19)

Some of the Company's loan agreements are subject to covenant clauses, whereby the Company is required to meet certain key financial ratios. The Company did not fulfil the debt/equity ratio as required in the contract for a credit line of \$[], of which the Company has currently drawn an amount of \$[].

Due to this breach of the covenant clause, the bank is contractually entitled to request for immediate repayment of the outstanding loan amount of \$[]. The outstanding balance was presented as a current liability as at 31 December 2007. Management commenced renegotiation of the terms of the loan agreement with the bank on [date].

The bank had not requested early repayment of the loan as of the date when these financial statements were approved by the Board of Directors. Management expects that a revised loan agreement will be in place in the second quarter of 2008.

Example 6: Convertible foreign currency bonds

Extracts of significant accounting policies:

Convertible foreign currency bonds

On issuance of convertible foreign currency bonds, the proceeds are allocated between the embedded equity conversion option and the liability component. The embedded option is recognised at its fair value. The liability component is recognised as the difference between total proceeds and the fair value of the equity conversion option.

FRS 32(28)

FRS 32 AG31

The equity conversion option is subsequently carried at its fair value with fair value changes recognised in the income statement. The liability component is carried at amortised cost until the liability is extinguished on conversion or redemption.

When an equity conversion option is exercised, the carrying amounts of the liability component and the equity conversion option are derecognised with a corresponding recognition of share capital.

FRS 32 AG32

Extracts of notes to the financial statements:

Other losses - net

	Group	
	2007	2006
	\$'000	\$'000
Fair value gains on equity conversion option in convertible bonds	4,083	–

FRS 107(20)(a)(v)

Finance expenses

	Group	
	2007	2006
	\$'000	\$'000
Interest expense:		
- Convertible bonds	16,966	–

FRS 107(20)(b)

Example 6: Convertible foreign currency bonds (continued)

Extracts of notes to the financial statements: (continued)

Convertible foreign currency bonds

FRS 107(17,34)

On 1 October 2007, the Group issued zero coupon convertible bonds at a nominal value of US\$500 million (equivalent to \$720 million) due on 4 October 2011. The bonds will be redeemed on 4 October 2011 at their nominal value or can be converted into shares of the Company (the “conversion option”) at the holder’s option at a conversion price of \$2.20 per share at any time on and after 14 November 2006 up to the close of business on 24 September 2011 if not called for redemption. On full conversion, up to 320,000,000 conversion shares (“Conversion Ratio”) are expected to be issued and allotted to the holders of the bonds.

The convertible bonds recognised in the balance sheet are analysed as follows:

	\$'000
Face value of convertible bonds issued	
on 1 October 2007, net of transaction costs	700,000
Embedded equity conversion option	(4,083)
Liability component as at initial recognition,	
1 October 2007	695,917
Interest expense	16,966
Currency translation differences	(5,898)
Liability component at end of financial year	706,985

The fair value of the liability component of the convertible bonds at 31 December 2007 is \$706,985,000. The fair value is calculated using cash flows discounted at a borrowing rate of 6.48%.

FRS 107(25,27)

Example 7: Property under development for sale

Extracts of significant accounting policies:

Development properties

RAP 11

Development properties refer to properties under development for sale.

Unsold development properties

Development properties that are unsold are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less cost to complete the development and selling expenses.

FRS 2(9)

FRS 2(6)

Sold development properties

RAP 11(9)

Revenue and cost on development properties that have been sold are recognised using the percentage of completion method. The stage of completion is measured by reference to the physical surveys of construction work completed. When it is probable that the total development costs will exceed the total revenue, the expected loss is recognised as an expense immediately.

FRS 11(29)

FRS 11(36)

The aggregated costs incurred and the profit/loss recognised in each development property that has been sold are compared against progress billings up to the financial year-end. Where costs incurred and recognised profits (less recognised losses) exceed progress billings, the balance is shown as due from customers on development projects, under “trade and other receivables”. Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is shown as due to customers on development projects, under “trade and other payables”.

FRS 11(43)

FRS 11(44)

Additional Illustrative Disclosures

Reference

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

Example 7: Property under development for sale (continued)

Extracts of notes to the financial statements:

Development properties

	Group		
	2007	2006	
	\$'000	\$'000	
<i>Unsold development properties:</i>			
Beginning of financial year	1,300	800	DV
Contract costs incurred during financial year	510	800	DV
Transfer to sold development properties	(666)	(300)	DV
End of financial year	1,144	1,300	FRS 2(36)(b)
<i>Sold development properties:</i>			
Aggregate costs incurred and profits recognised (less losses recognised) on sold development properties in progress	4,466	2,222	FRS 11(40)(a)
Less: Progress billings	(3,400)	(1,212)	
	1,066	1,010	
Presented as:			
- Due from customers (Note [])	1,333	1,820	FRS 11(42)(a)
- Due to customers (Note [])	(267)	(810)	FRS 11(42)(b)
	1,066	1,010	

The Group uses the percentage of completion method to account for its construction contracts. If the completed contract method has been used, these items will be affected as follows:

	Increase/(Decrease)		
	2007	2006	
	\$'000	\$'000	
<u>Balance sheets as at 31 December</u>			
Retained earnings	(200)	(300)	
Due from customers	100	60	
Due to customers	(20)	(30)	
<u>Income statements</u>			
Revenue	2,000	1,200	
Profit after tax	60	40	

Guidance Notes

Properties under development for sale

1. The movement in "Due from/to customers" should be included under operating activities for cash flow presentation purposes.

FRS 7(14)

Additional Illustrative Disclosures

Reference

Appendix 2 – Critical accounting estimates, assumptions and judgements not relevant or material to PwC Holdings Ltd Group

Critical accounting estimates, assumptions and judgements

FRS 1(113,116)

The following critical accounting estimates, assumptions and judgements may be applicable, among many other possible areas not presented in PwC Holdings Limited Group's financial statements.

(a) Useful lives of electrical component division's plant and equipment

The costs of plant and equipment for the manufacture of electronic component parts are depreciated on a straight-line basis over the machineries' useful lives. Management estimates the useful lives to be between 5 to 7 years, based on the estimated useful lives for similar machineries in the same industry and the projected life-cycles for its products. These estimates can change significantly as a result of expected usage or abandonment, technological innovations and competitors' actions, leading to potential changes in future depreciation charges, impairment losses and/or write-offs.

If the actual useful lives of the technology division plant and equipment differ by 10% from management's estimates, the carrying amount of the plant and equipment will be an estimated \$1,000,000 higher or \$970,000 lower.

(b) Post-employment pension obligations

The present value of the post-employment pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and have a tenure approximating the tenure of the related pension liability.

Other key assumptions for pension obligations are based in part on current market conditions.

If the discount rate used differs by 1% from management's estimates, the carrying amount of pension obligations will be an estimated \$425,000 lower or \$450,000 higher.

Additional Illustrative Disclosures

Reference

Appendix 2 – Critical accounting estimates, assumptions and judgements not relevant or material to PwC Holdings Ltd Group

Critical accounting estimates, assumptions and judgements (continued)

(c) Warranty claims

The Group gives two-year warranties for its personal computer products. Management estimates the related provision for future warranty claims based on historical warranty claim information, as well as recent trends that suggest that past cost information may differ from future claims.

Factors that could impact the estimated claim information include the success of the Group's productivity and quality initiatives, as well as parts and labour costs.

If claims costs differ by 10% from management's estimates, the warranty provisions will be an estimated \$2,000,000 higher or \$1,875,000 lower.

(d) Property, plant and equipment

The Group's business is capital intensive and the annual depreciation of property, plant and equipment forms a significant component of total costs charged to the income statement. The Group reviews the residual values and useful lives of property, plant and equipment at each balance sheet date in accordance with the accounting policy in Note 2.4. The estimation of the residual values and useful lives involves significant judgement. The net book value of property, plant and equipment at 31 December 2007 is \$153.8 million and the annual depreciation charge for the financial year ended 31 December 2007 is \$17.7 million.

If the actual useful lives of the property, plant and equipment are longer or shorter than the management's estimate by one year on average, the Group's annual depreciation charge will be reduced by \$4.0 million and increased by \$6.0 million respectively.

(e) Fair value estimation on unlisted securities

The Group holds corporate variable rate notes that are not traded in an active market amounting to \$347,000. The Group has used discounted cash flow analyses for valuing these financial assets and made estimates about expected future cash flows and discount rates.

If the discount rate used in the discounted cash flow analysis is increased or decreased by 1% from management's estimates, the Group's carrying amount of financial assets, available-for-sale will be reduced by \$80,000 or increased by \$85,000 respectively.