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International Financial Reporting Interpretations Committee
First floor, 30 Cannon Street
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14 December 2007

Dear Sir or Madam,

Tentative agenda decision: IAS 37 - Deposits on returnable containers

We are responding to your invitation to comment on the above Tentative Agenda Decision, published in the November 2007 edition of IFRIC Update, on behalf of PricewaterhouseCoopers.

Following consultation with members of the PricewaterhouseCoopers network of firms, this response summarises the views of member firms who commented on the Tentative Agenda Decision. 'PricewaterhouseCoopers' refers to the network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

We note that the IFRIC was asked to provide guidance on the accounting for the obligation to refund deposits on returnable containers and has suggested that it will not take this issue onto its agenda because a transaction in which a deposit is exchanged for a container is an executory contract that is not within the scope of IAS 39.

We disagree with the rationale for this conclusion. The assumption underlying the conclusion is that the container has been sold and is therefore the property of the customer and can be exchanged for the deposit at the customer's discretion. Our experience with several industries that collect a deposit in connection with containers used to supply liquids or gas is that the containers delivered to customers are not derecognised as if they had been sold. The containers instead remain part of the property, plant and equipment of the supplier. The obligation to refund the deposit is not therefore an executory contract, but a financial instrument repayable on demand that is within the scope of IAS 39.

IAS 16.69 requires that property plant and equipment is derecognised when the revenue recognition criteria in IAS 18 are met. These criteria are typically not met when containers are delivered to customers because the customers have an indefinite unrestricted right of return and the supplier provides an indefinite product warranty because it will replace a defective container. The supplier therefore retains the containers as part of property, plant and equipment and incurs a contractual obligation to pay cash to the customer. The container is on the supplier's balance sheet, the contract is not executory and the obligation to refund the deposit is a financial liability in the scope of IAS 39.

We therefore believe that the suggested rejection wording should be reconsidered in the context of an accounting model in which the containers are retained on the balance sheet and the contract is not executory.

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If you have any questions in relation to this letter please do not hesitate to contact Pauline Wallace (020 7804 1293) or Tony de Bell (020 7213 5336).

Yours faithfully

PricewaterhouseCoopers LLP