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Ms Tricia O'Malley
IFRIC Co-ordinator
International Accounting Standards Board
30 Cannon Street
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14 April 2008

Dear Ms O'Malley

Revised 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 March 2008 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 wrote to you 14 December 2007 in response to the IFRIC's previous tentative agenda decision on this issue. We pointed out that, in most cases, containers delivered to customers are not derecognised as if they have been sold, but 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.

The amended tentative agenda decision suggests that in some cases containers are derecognised **partially by depreciation over a number of sales** (emphasis added). The tentative rejection does not explain:

1. Whether the IFRIC believes that depreciation of the containers should be accelerated because some of the containers are damaged or are not returned or that the regular depreciation based on the useful lives of containers is a method of gradual derecognition;

2. How this method of derecognition by deprecation reconciles with the guidance in IAS 16.67-72;

3. Whether the partial derecognition of the containers suggests that a portion of the deposits should also be derecognised with a corresponding credit to profit or loss and why the rest of the deposits should be accounted for under IAS 37 rather than under IAS 39 - what is the unit of account suggested in this model; and

4. How a model that requires derecognition of some containers and some deposits means that the remainder of the deposits are accounted for under any standard but IAS 39.

We are concerned that the notion that depreciation is equivalent to derecognition is inconsistent with IAS 16 and may be applied in other transactions. We therefore believe that the suggested rejection wording should be reconsidered in the context of an accounting model in which some of the containers are derecognised because of loss or damage with a corresponding derecognition of deposits, but the remainder remain in property, plant and equipment. We do not believe there is an executory contract for containers that are believed by management to be in use and included in property, plant and equipment.

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We realise that, in some circumstances, the presentation of the deposits based on IAS 39 guidance, causes an accounting mismatch, and does not necessarily reflect the economics of the transaction. We believe that this should be dealt with by the Board, in the context of their discussion on the measurement of call deposits.

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