

13th October 1997

The Secretary General
International Accounting Standards Committee
167 Fleet Street
LONDON, EC4A 2ES

Dear Sir/Madam

E55 - IMPAIRMENT OF ASSETS

Please find below the comments of the Hundred Group Technical Committee on the above topic. We apologise for the delay in submitting our response but we wished to link our comments into our reply to the Accounting Standards Board.

In general, we believe that the theoretical principles on which the Statement is framed are relatively sound. However, the practical application of the principles is difficult in places particularly in calculating 'value in use'. Whilst the proposals in the Standard are somewhat prescriptive the calculations made are likely to be highly subjective. In addition we feel that a number of the disclosure requirements are unduly onerous.

Responses to specific questions:

We agree with the principles set out in the Exposure Draft as referred to in the specific questions, with the following exceptions or qualifications:-

- Q1 We believe that the recoverable amount of an asset should be measured as the higher of its net selling price and its value in use. However we have some concerns as to the application of 'value in use' calculations in practise.
- Q3 Yes, the definition of recoverable amount is just as applicable to an asset held for disposal as to an asset held for continuing use, provided that both the value in use and net selling price are similar. If they are not, then we feel it ought to be the 'lower of' rather than the 'higher of'.
- Q4(a) We agree that an impairment loss should be recognised for an asset whenever the recoverable amount of the asset is less than its carrying amount, provided that this has been triggered by paragraph 8 events and is not regarded as being of a temporary nature.

Continued/.....

J Sainsbury plc Stamford House
Stamford Street London SE1 9LL
Telephone 0171-695 6025
Facsimile 0171-695 6644
<http://www.j-sainsbury.co.uk>

Registered office as above
Registered number 185647 England

- Q9 We feel that net selling price should be determined based on the amount obtainable from the sale of the asset in an arm's length transaction between knowledgeable willing parties (option a).
- Q13 We do not agree with paragraph 59 in so far as we feel there will always be an acceptable way of allocating central assets across income generating units and it would not appear necessary to impose the burden of two impairment tests.
- Q16 No we do not agree with the disclosure requirements. Paragraph 82 requires disclosure for each individual asset and we do not believe that this additional disclosure is warranted. Additionally, we do not believe that (a) - (d) warrant disclosure.
- Q17 Similar to Q16 above, we believe that these disclosure requirements are excessive.
- Q18 We believe that disclosure under paragraph 100(b) is acceptable - otherwise the disclosure requirements are excessive.
- Q19 We believe that some general principles should be disclosed in the Annual Report Notes on Accounting if a change/reversal is made under E55.
- Q20 We believe that no further disclosure would be warranted.
- Q23 Other matters - we note that the IASC treats all impairments of revalued fixed assets as downward revaluations (which would be recognised in the Statement of Total Recognised Gains and Losses in the UK) until the carrying amount of the asset falls below depreciated historic cost (see paragraph 41, note 5). We support this approach however we note that there maybe some legal difficulties in adopting it in the UK.

We would be happy to discuss the above further if desired.

Yours faithfully



Rosemary P. Thorne