ALLIED DOMECQ

Ms Ann McGeachin
Project Manager
International Accounting Standards Board
30 Cannon Street
London
EC4M 6XH

27 July 2004

Dear Ms McGeachin,

Exposure Draft of Proposed Amendments to IAS 19 – Employee Benefits

Introduction
Allied Domecq PLC is a leading international branded drinks and retailing group. Our business comprises one of the world's largest international spirits and wines groups and a leading international quick service restaurants group. We are a UK FTSE 100 company listed on the London Stock Exchange with a financial year-end of 31 August. Additionally, on July 31, 2002 we listed on the New York Stock Exchange. As a foreign private registrant we are therefore required to file an annual report on Form 20-F which includes reconciliations to US GAAP for net income and shareholders' funds for the current and preceding years.

Post employment benefits
Our IFRS conversion project has identified the treatment of post employment benefits as an area of significant impact for us. Allied Domecq has complied with the disclosure requirements of FRS 17 since the introduction of the standard and we adopted FRS17 in full with effect from 1 September 2003.

We have read the Exposure Draft of Proposed Amendments to IAS 19 Employee Benefits "Actuarial Gains and Losses, Group Plans and Disclosures" with interest and welcome the opportunity to comment. We agree with the IASB that post employment benefits should be recognised on the balance sheet at fair value, but believe that short term fluctuations in fair value should not be reflected through the income statement. We therefore welcome the Exposure Draft which we would wish to apply to our opening IFRS financial statements.

Responses to questions
We have set out below our responses to the questions included in the invitation to comment.

Question 1 - Initial recognition of actuarial gains and losses

IAS 19 requires actuarial gains and losses to be recognised in profit or loss, either in the period in which they occur or on a deferred basis. The Exposure Draft proposes that entities should also be allowed to recognise actuarial gains and losses as they occur, outside profit or loss, in a statement of recognised income and expense.

Do you agree with the addition of this option? If not, why not?

Answer:
We strongly agree with the addition of this proposed option. It enables entities to reflect the fair value of their post employment benefit plans in the balance sheet without the income statement being affected by short term movements in market values which are not directly under the influence of the entity. We believe that measuring post employment benefit plans at fair value in the balance sheet leads to transparent and comparable information and is preferable to the more arbitrary deferred recognition method (the "corridor approach").

Question 2 - Initial recognition of the effect of the limit on the amount of a surplus that can be recognised as an asset

Paragraph 58(b) of IAS 19 limits the amount of a surplus that can be recognised as an asset to the present value of any economic benefits available to an entity in the form of refunds from the plan or reductions in future contributions to the plan (the asset ceiling). The Exposure Draft proposes that entities that choose to recognise actuarial gains and losses as they occur, outside profit or loss in a statement of recognised income and expense, should also recognise the effect of the asset ceiling outside profit or loss in the same way, ie in a statement of recognised income and expense.

Do you agree with the proposal? If not, why not?

Answer:
Yes, we agree with this proposal

Question 3 - Subsequent recognition of actuarial gains and losses

The Exposure Draft proposes that, when actuarial gains and losses are recognised outside profit or loss in a statement of recognised income and expense, they should not be recognised in profit or loss in a later period (ie they should not be recycled).

Do you agree with this proposal? If not, why not?

Answer:
Yes, we agree with this proposal.

Question 4 - Recognition within retained earnings

The Exposure Draft also proposes that, when actuarial gains and losses are recognised outside profit or loss in a statement of recognised income and expense, they should be recognised immediately in retained earnings, rather than recognised in a separate component of equity and transferred to retained earnings in a later period.

Do you agree with this proposal? If not, why not?

Answer:
Yes, we agree with this proposal.

Question 5 - Treatment of defined benefit plans for a group in the separate or individual financial statements of the entities in the group

a) The Exposure Draft proposes an extension of the provisions in IAS 19 relating to multi-employer plans for use in the separate or individual financial statements of entities within a consolidated group that meet specified criteria.

   Do you agree with this proposal? If not, why not?

   Answer:
   We strongly agree that an exemption should be made for individual entities where IAS 19 is applied in the group accounts. However, in our view, the proposed amendment does not achieve this objective particularly when taken in conjunction with IFRIC interpretation D6. We believe it would be overly onerous to apply defined benefit accounting to each statutory entity within a plan and would require a high degree of subjectivity. We would, therefore, ask the IASB to reconsider this amendment and request that the multi-employer exemption be allowable for all group companies.

b) The Exposure Draft sets out the criteria to be used to determine which entities within a consolidated group are entitled to use those provisions.

   Do you agree with the criteria? If not, why not?

   Answer:
   Yes, we agree with the criteria.

Question 6 - Disclosures

The Exposure Draft proposes additional disclosures that (a) provide information about trends in the assets and liabilities in the defined benefit plan and the assumptions underlying the components of the defined benefit cost and (b) bring the disclosures in IAS 19 closer to those required by the US standard SFAS 132 Employers' Disclosures about Pensions and Other Postretirement Benefits.

Do you agree with the additional disclosures? If not, why not?

Answer:
We agree with the additional disclosures except we do not believe that the disclosure required by the amended paragraph 120 (o) should be made for the current period and previous four periods. In our view the current and previous one period would be sufficient.

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Question 7 - Further disclosures

Do you believe that any other disclosures should be required, for example the following disclosures required by SFAS 132? If so, why?

a) a narrative description of investment policies and strategies;
b) the benefits expected to be paid in each of the next five fiscal years and in aggregate for the following five fiscal years; and
c) an explanation of any significant change in plan liabilities or plan assets not otherwise apparent from other disclosures.

SFAS 132 also encourages disclosure of additional asset categories if that information is expected to be useful in understanding the risks associated with each asset category.

Answer:
Yes, we agree with these proposals with the exception of point (b) where we believe the requirement to look beyond five years is too long and will put too great a burden on our actuaries.

Summary
Thank you for allowing us the opportunity to make our comments. If you have any comments or questions on any of the above please do not hesitate to contact me at the address shown on the first page.

Yours sincerely,

Howard Orme
Group Financial Controller