Diageo Finance plc

Financial statements
30 June 2013

Registered number 213393

Directors' report

The directors have pleasure in submitting their annual report, together with the audited financial statements for the year ended 30 June 2013

Activities

During the financial year the company was engaged in treasury risk and cash management for Diageo plc and its subsidiary undertakings The company's operations are based in the United Kingdom It raises the external funds it requires principally using the London and New York financial markets

The company forms part of the Diageo group's treasury operations, which manage the Diageo group's funding, liquidity, interest rate, commodity price and foreign exchange risks Further information on the risk management policies of the Diageo group is included in the annual report of Diageo plc (see Note 19 of the consolidated financial statements) The results of the company and the development of its business are, therefore, influenced to a considerable extent by group financing requirements The directors foresee no changes in the company's activities

Business review

Development and performance of the business of the company during the financial year and position of the company as at 30 June 2013

Diageo Finance plc operates as the bank of the group, finances operating companies via intra-group loans and deposits and makes third party payments on behalf of other group companies Foreign exchange transactional hedging deals are carried out in the company to hedge brand owners' future foreign currency cash flows with a margin defined on an arms' length basis Foreign exchange translation hedging, interest rate risk management, commodity price risk management and cash management is also performed by the company

Financial and other key performance indicators

The performance of the company is based on its ability to hedge exposures to foreign currency and interest rate fluctuations for both the group and the company The company generates income through interest on intra-group lending

Principal risks and uncertainties facing the company as at 30 June 2013

The principal risks and uncertainties facing the company are foreign currency risk associated with certain foreign currency transactions and interest rate risk arising principally on changes in interest rates The fair value movement on these financial instruments is recorded in the profit and loss account

Directors' report (continued)

Going concern

The company's business activities, together with the factors likely to affect its future development and position, are set out in the business review section of the directors' report on page 1 The company generated loss during the financial year From the forthcoming financial year and subsequent financial years, the company is expected to generate profits on its own account The directors have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Diageo group to continue as a going concern On the basis of their assessment, the company's directors have a reasonable expectation that the company will be able to continue in operational existence for the foreseeable future Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

Financial

The results for the year ended 30 June 2013 are shown on page 6

No dividend was paid during the year (2012 - £nil)

The loss for the year transferred from reserves is £71 million (2012 - loss of £342 million)

Directors

The directors who held office during the year were as follows

G Geiszl
D Heginbottom
J J Nicholls
M Pais
P D Tunnacliffe

On 1 October 2013, G Geiszl resigned as director of the company

Directors' remuneration

None of the directors received any remuneration during the year in respect of their services as directors of the company (2012 - £nil)

Directors' report (continued)

Auditor

The auditor, KPMG Audit Plc, is willing to continue in office and a resolution for its re-appointment as auditor of the company will be submitted to the Annual General Meeting

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information

By order of the board

M Pais
Director
Lakeside Drive, Park Royal,
London NW10 7HQ

18 December 2013

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 2006 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

KPMG

Independent auditor's report to the members of Diageo Finance plc

We have audited the financial statements of Diageo Finance Plc for the year ended 30 June 2013 set out on pages 6 to 21 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www frc org uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 June 2013 and of its loss for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Karen Wightman Senior Statutory Auditor
For and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants

15 Canada Square
London E14 5GL

18 December 2013

Profit and loss account

	Notes	**Year ended 30 June 2013 £'million**	Year ended 30 June 2012 £'million
Interest income	*1*	**974**	913
Interest expense	*2*	**(1,072)**	(1,250)
Net interest expense		**(98)**	(337)
Other operating income/(expense)	*3*	**10**	(2)
Gain on disposal of fixed asset investments	*5*	**21**	-
Loss on ordinary activities before taxation		**(67)**	(339)
Taxation on loss on ordinary activities	*6*	**(4)**	(3)
Loss for the financial year		**(71)**	(342)

The accounting policies and other notes on pages 9 to 21 form part of the financial statements

There are no recognised gains and losses other than the result for the year and consequently a statement of total recognised gains and losses has not been presented as part of the financial statements

All results arise from continuing operations

Balance sheet

	Notes	30 June 2013 £'million	30 June 2013 £'million	30 June 2012 £'million	30 June 2012 £'million
Fixed assets					
Other financial assets	*8*		**471**		679
Debtors due after one year	*7*		**30**		57
Deferred tax	*9*		**1**		1
			502		737
Current assets					
Debtors due within one year	*7*	**42,084**		37,616	
Other financial assets	*8*	**109**		124	
Cash and cash equivalents	*10*	**991**		526	
		43,184		38,266	
Creditors: due within one year					
Other financial liabilities	*8*	**(96)**		(94)	
Borrowings	*12*	**(172)**		(249)	
Other creditors	*13*	**(38,525)**		(33,574)	
		(38,793)		(33,917)	
Net current assets			**4,391**		4,349
Total assets less current liabilities			**4,893**		5,086
Creditors: due after one year					
Other financial liabilities	*8*	**(453)**		(606)	
Borrowings	*12*	**(882)**		(851)	
			(1,335)		(1,457)
Net assets			**3,558**		3,629
Capital and reserves					
Called up share capital	*14*		**3,660**		3,660
Reserves	*15*		**(102)**		(31)
Shareholders' funds	*16*		**3,558**		3,629

The accounting policies and other notes on pages 9 to 21 form part of the financial statements

These financial statements on pages 6 to 21 were approved by the board of directors on 18 December 2013 and were signed on its behalf by

Pais Noronha

M Pais
Director

Note of historical cost profits and losses

	Year ended 30 June 2013 £'million	Year ended 30 June 2012 £'million
Loss on ordinary activities before taxation	**(67)**	(339)
Market value differential on foreign exchange contracts – (gain)/loss	**(8)**	46
Market value loss/(gain) on external derivative interest rate instruments	**29**	(67)
Market value (gain)/loss on intra-group derivative interest rate instruments	**(18)**	43
Market value loss/(gain) on external derivative cross currency interest rate swaps	**58**	(49)
Market value (gain)/loss on intra-group derivative cross currency interest rate swaps	**(58)**	49
Fair value adjustment to borrowings - loss	**-**	30
Amortization of bonds	**(17)**	(10)
Historical cost loss on ordinary activities before taxation	**(81)**	(297)

Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements

Basis of preparation

The financial statements are prepared on a going concern basis under the historical cost convention except that derivative financial instruments are stated at their fair value The financial statements are in accordance with applicable UK accounting standards

The company is a wholly owned subsidiary of Diageo plc and is included in the consolidated financial statements of Diageo plc which are publicly available Consequently the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard No 1 (Revised 1996)

The company is exempt under the terms of Financial Reporting Standard No 8 from disclosing related party transactions (but not balances) with entities that are wholly owned by a member of the Diageo group ("group undertakings") or investees of the Diageo group

Dividends paid and received

In the financial statements the dividend information is recorded in the period in which it is approved

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction Assets and liabilities denominated in foreign currencies are translated into sterling at the financial year end exchange rates Exchange gains and losses are taken to the profit and loss account

Financial liabilities

Borrowings are initially recorded at cost (where cost is equal to fair value at inception), and are subsequently amortised using the effective interest rate method The fair value adjustment for all loans designated as hedged items in a fair value hedge are shown separately as a net figure Any difference between the proceeds, net of transactions costs and the settlement or redemption of borrowings is recognised over the term of the borrowings using the effective interest rate method

Financial instruments

The company's accounting policies under UK GAAP namely *FRS 26 – Financial instruments measurement* and *FRS 29 – Financial instruments disclosure* are the same as the group's accounting policies under IFRS, namely *IAS 32 – Financial instruments disclosure and presentation* and *IAS 39 – Financial instruments recognition and measurement* These standards are effective from 1 July 2005 The company has taken the exemption not to provide all the financial instrument disclosures, as IFRS 7 disclosures are given in Note 19 to the group financial statements

Accounting policies (continued)

Derivative financial instruments

On behalf of Diageo plc and its subsidiaries (the 'group'), the company participates in hedging of foreign exchange exposures arising on group transactions and the underlying net assets of the group's foreign subsidiaries by using forward contracts and currency swaps

Foreign exchange contracts used for managing transactional and translational exposure are generally matched with offsetting positions with other group undertakings Foreign exchange gains or losses are taken to the profit and loss account

The company participates in the group's interest rate management and uses interest rate swaps in the management of the interest rate exposure arising on the group's borrowings

At the group and company level, derivative financial instruments are recognised in the balance sheet at fair value that is calculated using discounted cash flow techniques taking into consideration assumptions based on market data

At the group level, the purpose of hedge accounting is to mitigate the impact of potential volatility in the profit and loss account of the changes in exchange rates or interest rates, by matching the impact of the hedged item and the hedging instrument in the profit and loss account To qualify for hedge accounting, the hedging relationship must meet several conditions with respect to documentation, probability of occurrence, hedge effectiveness and reliability of measurement For group purposes, at the inception of the transaction the company documents the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking the hedge transaction This process includes linking all derivatives designated as hedges to specific assets and liabilities For group purposes the company also documents its assessment, both at the hedge inception and on a quarterly basis, as to whether the derivatives that are used in hedging transactions have been, and are likely to continue to be, highly effective in offsetting changes in fair value or cash flows of hedged items

For the purposes of the group consolidated financial statements prepared under International Financial Reporting Standards the group designates derivatives which qualify for hedge accounting as either (a) a hedge of the fair value of a recognised asset or liability (fair value hedge), or (b) a hedge of a forecast transaction or the cash flow risk from a change in foreign exchange or interest rates (cash flow hedge), or (c) a hedge of a net investment in foreign operations

The group uses derivative financial instruments to manage the currency and/or interest rate risk to which the fair value of certain assets and liabilities are exposed Changes in the fair value of derivatives that are fair value hedges are recognised in the profit and loss account, along with any changes in the relevant fair value of the underlying hedged asset or liability that is attributable to the hedged risk If a hedge relationship is de-designated, fair value movements on the derivative continue to be taken to the profit and loss account while any fair value adjustments made to the underlying hedged item to that date are amortised on an effective interest basis through the profit and loss account over its remaining life

For the purposes of the company's statutory financial statements any change in the fair value of derivatives is recorded in the profit and loss account Fair value hedge accounting is applied for interest rate swap derivatives only

Deferred taxation

Full provision is made for timing differences between the recognition of gains and losses in the financial statements and their recognition in tax computations using current tax rates The company does not discount these balances

Notes to the financial statements

1. Interest income

	Year ended 30 June 2013 £'million	Year ended 30 June 2012 £'million
Interest from fellow group undertakings	623	437
Other deposits and swaps	119	103
Market value differential on foreign exchange contracts	24	1
Market value gain on intra-group derivative interest rate instruments	75	117
Market value gain on external derivative interest rate instruments	58	194
Market value gain on intra-group cross currency interest rate swaps	58	1
Market value gain on external cross currency interest rate swaps	-	50
Amortization of bonds	17	10
	974	913

2. Interest expense

	Year ended 30 June 2013 £'million	Year ended 30 June 2012 £'million
Interest to fellow group undertakings	667	693
Other loans, borrowings and swaps	172	130
Bank loans and overdrafts	15	12
Market value differential on foreign exchange contracts	16	47
Market value loss on intra-group derivative interest rate instruments	57	160
Market value loss on external derivative interest rate instruments	87	127
Market value loss on intra-group cross currency interest rate swaps	-	50
Market value loss on external cross currency interest rate swaps	58	1
Fair value adjustment to bonds in hedge relationship	-	30
	1,072	1,250

Market value movement of interest rate derivatives in fair value hedge relationship amounted to £nil (2012 - £30m), the movement of fair value adjustment on bonds in hedge relationship amounted to £nil (2012 - £30m)

Notes to the financial statements (continued)

3. Other operating income/(expense)

	Year ended 30 June 2013 £'million	Year ended 30 June 2012 £'million
Foreign exchange result on operations	**2**	(8)
Margin on transaction hedging	**8**	8
Market value movement on transactional foreign exchange derivative transaction	**1**	(1)
Other expense	**(1)**	(1)
	10	(2)

Fees in respect of services provided by the auditor statutory audit - £35,441 (2012 - £40,935), group audit £77,070 (2012 - £89,037) were paid on behalf of the company by a fellow group undertaking There were no fees payable to the auditor in respect of non-audit services (2012 - £nil)

4. Directors and employees

The company did not employ any staff during either the current or prior year

None of the directors received any remuneration during the financial year in respect of their services as directors of the company (2012 - £nil)

5. Gain on disposal of fixed asset investments

In August 2012, the Company established Diageo Financing Turkey Limited, with a share capital of £238 million In April 2013, a dividend of £225 million was distributed to the Company resulting in a significant decrease in the subsidiary's net assets On 20 June 2013, this wholly owned subsidiary undertaking has been sold to UDV (SJ) Limited, for a consideration of £34 million, resulting in a gain of £21m to the Company

The tax charge/(credit) on these items amounted to £nil

Notes to the financial statements (continued)

6. Taxation

(i) Analysis of taxation charge for the year	Year ended 30 June 2013 £'million	Year ended 30 June 2012 £'million
Current tax		
Overseas corporation tax	(4)	(3)
Total current tax charge	(4)	(3)
Deferred tax		
Charge for the year	-	-
Total deferred tax	-	-
Taxation on loss on ordinary activities	(4)	(3)

(ii) Factors affecting current tax charge for the year	Year ended 30 June 2013 £'million	Year ended 30 June 2012 £'million
Loss on ordinary activities before taxation	(67)	(339)
Taxation on loss on ordinary activities at UK corporation tax rate of 23 75% (2012 - 25 5 %)	16	87
Expenses not deductible for tax purposes	(25)	(91)
Income not taxable for tax purposes	5	-
Group relief received for nil consideration	-	1
Double tax relief	4	3
Overseas corporation tax	(4)	(3)
Current ordinary tax charge for the year	(4)	(3)

Factors which may affect future tax charges

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013 It is expected that this will reduce the company's future current tax charge and future deferred tax asset accordingly

Notes to the financial statements (continued)

7. Debtors

	30 June 2013 £'million	30 June 2012 £'million
Due within one year		
Amounts owed by fellow group undertakings	**42,067**	37,598
Other debtors	**17**	18
	42,084	37,616
Due after one year		
Amounts owed by associated undertakings	**30**	57

Amounts owed by fellow group undertakings represent transactions with companies in the Diageo group with which the company has a long term financing relationship These financing relationships are expected to continue for the foreseeable future For the purposes of financial statement classification, amounts owed by group undertakings that do not have a specified repayment date are regarded as short term and consequently are considered to have a fair value which is not materially different to the book value

Diageo formed two ventures in South Africa with third parties DHN Drinks (Pty) Limited and Sedibeng Brewery (Pty) Limited are associates to the Diageo group The company provides long term funding to these entities amounting to £30m (2012 - £57m)

Notes to the financial statements (continued)

8. Other financial assets and liabilities

	Non-current financial assets £'million	Current financial assets £'million	Current financial liabilities £'million	2013 Non-current financial liabilities £'million
External derivative assets/(liabilities):				
Foreign exchange contracts - transaction	1	12	(44)	(9)
Foreign exchange contracts - other	1	47	(41)	-
Interest rate derivatives	184	-	-	(90)
Cross currency interest rate swaps	189	-	-	(6)
	375	59	(85)	(105)
Intra-group derivative assets/(liabilities):				
Foreign exchange contracts - transaction	9	47	(11)	(1)
Foreign exchange contracts - other	-	3	-	-
Interest rate derivatives	81	-	-	(158)
Cross currency interest rate swaps	6	-	-	(189)
	96	50	(11)	(348)
Total derivative assets/(liabilities)	471	109	(96)	(453)

The company entered into external cross currency interest rate swaps on behalf of a group fellow company, Diageo Capital plc, market value amounted to £183m at balance sheet date The external deals are mirrored through Diageo plc to Diageo Capital plc, the ultimate beneficiary Market value of intra-group cross currency interest rate swaps amounts to a net liability of £183m presented due after one year

Notes to the financial statements (continued)

8. Other financial assets and liabilities (continued)

Fair value movements of cross currency interest rate swaps are taken to the profit and loss account foreign exchange component of change in market value is presented as foreign exchange result on operations, the interest related amounts are recognised as interest income

				2012
	Non-current financial assets £'million	Current financial assets £'million	Current financial liabilities £'million	Non-current financial liabilities £'million
External derivative assets/(liabilities):				
Foreign exchange contracts - transaction	4	27	(36)	(8)
Foreign exchange contracts - other	-	7	(29)	-
Interest rate derivatives	268	3	-	(147)
Cross currency interest rate swaps	218	-	-	-
	490	37	(65)	(155)
Intra-group derivative assets/(liabilities):				
Foreign exchange contracts - transaction	9	37	(26)	(3)
Foreign exchange contracts - other	43	50	-	-
Interest rate derivatives	137	-	(3)	(230)
Cross currency interest rate swaps	-	-	-	(218)
	189	87	(29)	(451)
Total derivative assets/(liabilities)	679	124	(94)	(606)

Derivative assets and liabilities have been recognised at fair value since the adoption of FRS 26 on 1 July 2005 The company does not use derivative financial instruments for speculative purposes All transactions in derivative financial instruments are undertaken to manage risk arising from underlying business activities at the group level

Notes to the financial statements (continued)

9. Deferred tax

	30 June 2013 £'million	30 June 2012 £'million
Deferred taxation at the beginning of the year	1	1
Recognised in profit and loss account	-	-
Deferred taxation at the end of the year	1	1

Deferred taxation assets have been recognised to the extent that it is considered more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

10. Cash and cash equivalents

The company has entered into a joint and several guarantee with other UK undertakings of Diageo group such that any balance on the company's bank accounts within the joint cash-pool may be offset against the bank balances or overdrafts of those companies included in the cash-pool

Cash at bank as at 30 June 2013 was £nil (2012 - £nil) and liquidity funds were £991m (2012 - £526m)

11. Fair value of financial instruments

Fair values

The fair values of derivative financial instruments are estimated by discounting the future cash flows to net present values using appropriate market interest rates prevailing at the year end These are based on values obtained from third parties

Amounts owed to or due from fellow group undertakings represent transactions with companies in the Diageo group with which the company has a long term financing relationship These financing relationships are expected to continue for the foreseeable future For the purposes of financial statement classification, amounts owed to or from group undertakings that do not have a specified repayment date are regarded as short term and consequently are considered to have a fair value which is not materially different to the book value

Notes to the financial statements (continued)

12. Borrowings, facilities and financial liabilities

Financial instruments comprise net borrowings, including borrowings from group undertakings, together with other instruments deemed to be financial instruments under FRS 26 including long term debtors and other long term creditors Disclosures dealt within the following two notes exclude short term debtors and creditors where permitted by FRS 26, but include short term borrowings to and from group undertakings

(i) External borrowings

	Currency	Year end interest rate %	30 June 2013 £'million	30 June 2012 £'million
Due within one year:				
Credit support obligations	Euro, US dollar	Various	72	130
Bank overdrafts	Various	Various	100	119
			172	249
Due after one year:				
Guaranteed bond 2014	Euro	6.625	853	805
Fair value adjustment to borrowings			29	46
			882	851

The interest rates shown above are contracted on the underlying borrowings before taking into account any interest rate protection None of the borrowings are secured on assets of the Diageo group

Notes to the financial statements (continued)

12. Borrowings, facilities and financial liabilities (continued)

The company had, along with other Diageo plc financing companies, available undrawn committed bank facilities with third parties as follows

	30 June 2013 **£'million**	30 June 2012 £'million
Expiring:		
Within one year	**-**	745
Between one and two years	**411**	-
After two years	**1,891**	1,484
	2,302	2,229

Commitment fees are paid on the undrawn portion of these facilities and accounted for on an accruals basis Borrowings under these facilities will be at prevailing LIBOR rates (dependent on the period of drawdown) plus an agreed margin These facilities can be used for general corporate purposes and, together with cash and cash equivalents, support the group's commercial paper programmes

There are no financial covenants on the group's short and long term borrowings Certain of these borrowings contain cross default provisions and negative pledges

The committed bank facilities are subject to a single financial covenant, being minimum interest cover ratio of two times (defined as the ratio of Diageo plc group operating profit before exceptional items, aggregated with share of associates' profits after tax, to net interest) They are also subject to pari passu ranking and negative pledge covenants

Any non-compliance with covenants underlying Diageo's financing arrangements could, if not waived, constitute an event of default with respect to any such arrangements, and any non-compliance with covenants may, in particular circumstances, lead to an acceleration of maturity on certain notes and the inability to access committed facilities Diageo was in full compliance with its financial, pari passu ranking and negative pledge covenants throughout each of the years presented

Notes to the financial statements (continued)

13. Other creditors: due within one year

	30 June 2013 £'million	30 June 2012 £'million
Amounts owed to fellow group undertakings	**38,482**	33,535
Accruals and deferred income	**43**	39
	38,525	33,574

Amounts owed to fellow group undertakings represent transactions with companies in the Diageo group with which the company has a long term financing relationship These financing relationships are expected to continue for the foreseeable future For the purposes of financial statement classification, amounts owed to group undertakings that do not have a specified repayment date are regarded as short term and consequently are considered to have a fair value which is not materially different to the book value

14. Share capital

	30 June 2013 £'million	30 June 2012 £'million
Allotted, called up and fully paid:		
73,200,000,000 ordinary shares of 5p each	**3,660**	3,660

Notes to the financial statements (continued)

15. Reserves

	Profit and loss account £'million
At 30 June 2012	**(31)**
Loss for the financial year	**(71)**
At 30 June 2013	**(102)**

16. Reconciliation of movement in shareholders' funds

	30 June 2013 £'million	30 June 2012 £'million
Loss for the financial year	**(71)**	(342)
Net reduction in shareholders' funds	**(71)**	(342)
Shareholders' funds at the beginning of the year	**3,629**	3,971
Shareholders' funds at the end of the year	**3,558**	3,629

17. Immediate and ultimate parent undertaking

The immediate and ultimate parent undertaking of the company is Diageo plc, a company incorporated and registered in England The consolidated financial statements of Diageo plc can be obtained from the registered office at Lakeside Drive, Park Royal, London, NW10 7HQ

18. Guarantees

In the year ended 30 June 2013 the company guaranteed the debt of a third party amounting to £30 million (2012 - £30 million)