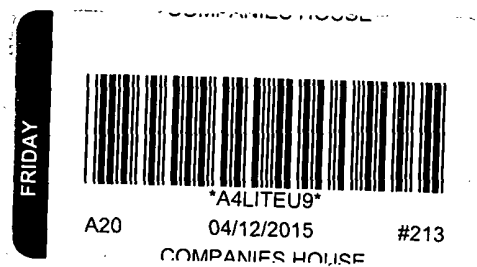


Diageo Finance plc
Financial statements
30 June 2015

Registered number: 213393



Strategic report

The directors have pleasure in submitting their strategic report, their annual report and the audited financial statements for the year ended 30 June 2015.

Activities

The company is engaged in treasury risk and cash management for Diageo plc and its subsidiary undertakings. It raises the external funds it requires principally using the London financial markets. It 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.

The company's operations are based in the United Kingdom. The directors foresee no changes in the company's activities.

Business review

Principal risks and uncertainties facing the company as at 30 June 2015

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. 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.

Development and performance of the business of the company during the financial year and position of the company as at 30 June 2015

The results of the company and the development of its business are influenced to a considerable extent by group financing requirements. Further information on the risk management policies of the Diageo group is included in the annual report of Diageo plc (see note 15 of the consolidated financial statements of Diageo plc).

Results from net interest income have increased by £195 million in the year ended 30 June 2015 from £245 million in the year ended 30 June 2014, mainly due to changes in the funding requirements of fellow group undertakings and changes in intra-group lending terms.

Amounts owed by fellow group undertakings decreased by £1,586 million offset by a decrease in amounts owed to fellow group undertakings of £1,979 million which resulted from changes in the funding requirements of fellow group undertakings.

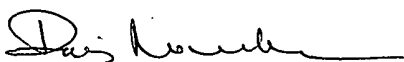
Strategic report (continued)

Business review (continued)

Financial and other key performance indicators

As the company forms part of the group's treasury operations, the principal key performance indicator used by management to analyse the development, performance and position of the company's business is net interest income in respect of intra-group lending.

By order of the board



M Pais
Director
Lakeside Drive
Park Royal
London
NW10 7HQ

19 November 2015

Directors' report

Going concern

The company is expected to continue to generate profit for its own account and to remain in positive net asset position for the foreseeable future. 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 2015 are shown on page 7.

The profit for the year transferred to reserves is £330 million (2014 - £264 million).

No dividend was paid during the year (2014 - £nil).

Directors

The directors who held office during the year were as follows:

S L Fennessy	(appointed 1 October 2014)
D Heginbottom	(resigned 1 October 2014)
E McShane	(appointed 1 October 2014)
J J Nicholls	
M Pais	
P D Tunnacliffe	

Directors' remuneration

None of the directors received any remuneration during the year in respect of their services as directors of the company (2014 - £nil).

Secretary

On 5 November 2015, V Cooper was appointed as joint Company Secretary.

Post balance sheet events

On 28 July, Diageo plc has agreed to sell its 42.25% indirect shareholding in DHN Drinks (Proprietary) Limited and its 25% indirect shareholding in Sedibeng Brewery (Pty) Ltd., associate undertakings to Heineken N.V. At the same time it has agreed to transfer the associated shareholder loans held by Diageo Finance plc to Heineken N.V. Completion of the transaction is expected before calendar end 2015, and is subject to regulatory approvals.

Directors' report (continued)

Auditor

Following an audit tender conducted during the year, PricewaterhouseCoopers LLP were selected as auditor for the Diageo group. Accordingly, it is intended that PricewaterhouseCoopers LLP will be appointed to replace KPMG LLP as auditor for the year ending 30 June 2016.

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

19 November 2015

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

The directors are responsible for preparing the strategic report, 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.

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 2015 set out on pages 7 to 22. 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 5, 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 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 2015 and of its profit 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.

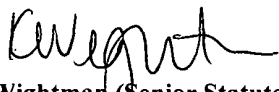
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and 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 LLP, Statutory Auditor
Chartered Accountants

15 Canada Square
London
E14 5GL

Date:

19 November 2015

Profit and loss account

	<i>Notes</i>	Year ended 30 June 2015 £'million	Year ended 30 June 2014 £'million
Interest income	<i>1</i>	1,198	1,093
Interest expense	<i>2</i>	(758)	(848)
Net interest income		440	245
Other operating expense	<i>3</i>	(80)	(19)
Profit on ordinary activities before taxation		360	226
Taxation on profit on ordinary activities	<i>5</i>	(30)	38
Profit for the financial year		330	264

The accounting policies and other notes on pages 10 to 22 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.

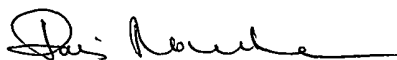
All results arise from continuing operations.

Balance sheet

		30 June 2015		30 June 2014	
	Notes	£'million	£'million	£'million	£'million
Fixed assets					
Other financial assets	6		368		328
Debtors: due after more than one year	7		-		32
			368		360
Current assets					
Debtors	7	33,409		34,987	
Other financial assets	6	93		128	
Cash and cash equivalents	9	14		14	
			33,516	35,129	
Creditors: amounts falling due within one year					
Other financial liabilities	6	(140)		(191)	
Borrowings	10	(502)		(967)	
Other creditors	11	(26,817)		(28,823)	
			(27,459)	(29,981)	
Net current assets			6,057	5,148	
Total assets less current liabilities			6,425	5,508	
Creditors: amounts falling due after more than one year					
Other financial liabilities	6	(365)		(326)	
Borrowings	10	(1,908)		(1,360)	
			(2,273)	(1,686)	
Net assets			4,152	3,822	
Capital and reserves					
Called up share capital	12		3,660		3,660
Profit and loss account	13		492		162
Shareholders' funds	14		4,152	3,822	

The accounting policies and other notes on pages 10 to 22 form part of the financial statements.

These financial statements on pages 7 to 22 were approved by the board of directors on 19 November 2015 and were signed on its behalf by:


M Pais
Director

Note of historical cost profits and losses

	Year ended 30 June 2015 £'million	Year ended 30 June 2014 £'million
Reported profit on ordinary activities before taxation	360	226
Market value differential on foreign exchange contracts –loss/(gain)	2	(2)
Market value differential on foreign exchange options – loss	-	4
Market value loss on external derivative interest rate instruments	6	29
Market value gain on intra-group derivative interest rate instruments	(1)	(16)
Market value loss on external derivative cross currency interest rate swaps	38	8
Market value gain on intra-group derivative cross currency interest rate swaps	(38)	(8)
Amortization of bonds	(10)	(19)
Historical cost profit on ordinary activities before taxation	357	222

Accounting policies

Future changes to accounting policies

The Financial Reporting Council recently issued *FRS 100 – Application of Financial Reporting Requirements*, *FRS 101 – Reduced Disclosure Framework* and *FRS 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland* which will be first effective for the company for the year ending 30 June 2016. FRS 100 sets out the overall financial reporting framework whereas FRS 101 applies to the company financial statements allowing them to apply the same accounting policies as the IFRS group accounts but with less disclosure. FRS 102 will replace the current UK GAAP standards with an IFRS based new standard and include a set of disclosure exemptions for qualifying entities formerly preparing UK GAAP financial standards. The company will adopt FRS 101, for its financial statements, for the year ending 30 June 2016. Based on a preliminary assessment the company believes the change will have no significant impact on its results or financial position.

The following accounting policies have been applied consistently in dealing with items that 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 prepared 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 plc group ("group undertakings").

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction, or if hedged forward, at the rate of exchange under the related foreign currency contract. 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.

Accounting policies (continued)

Financial liabilities

Borrowings are initially recognised at fair value net of transaction costs and are subsequently reported at amortised cost. Certain bonds are designated as being part of a fair value hedge relationship. In these cases, the amortised cost is adjusted for the fair value of the risk being hedged, with changes in value recognised in the income statement. The fair value adjustment is calculated using a discounted cash flow technique based on unadjusted market data.

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 15 to the group financial statements.

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.

Accounting policies (continued)

Derivative financial instruments (continued)

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.

Taxation

Current tax, including UK corporation tax and overseas tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted at the balance sheet date. Except as otherwise required by FRS 19, deferred tax is provided in full on timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more tax, or a right to pay less tax, in the future. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date. Any interest or penalties on tax liabilities are provided in the tax charge.

Notes to the financial statements

1. Interest income

	Year ended 30 June 2015 £'million	Year ended 30 June 2014 £'million
Interest from fellow group undertakings	930	879
Other deposits and swaps	168	121
Market value differential on foreign exchange contracts	1	2
Market value gain on intra-group derivative interest rate instruments	25	35
Market value gain on external derivative interest rate instruments	26	27
Market value gain on intra-group cross currency interest rate swaps	38	9
Market value gain on external cross currency interest rate swaps	-	1
Amortization of bonds	10	19
	<hr/>	<hr/>
	1,198	1,093
	<hr/> <hr/>	<hr/> <hr/>

2. Interest expense

	Year ended 30 June 2015 £'million	Year ended 30 June 2014 £'million
Interest to fellow group undertakings	471	559
Other loans, borrowings and swaps	153	179
Bank loans and overdrafts	37	25
Market value differential on foreign exchange contracts	3	-
Market value loss on intra-group derivative interest rate instruments	24	19
Market value loss on external derivative interest rate instruments	32	56
Market value loss on intra-group cross currency interest rate swaps	-	1
Market value loss on external cross currency interest rate swaps	38	9
	<hr/>	<hr/>
	758	848
	<hr/> <hr/>	<hr/> <hr/>

Notes to the financial statements (continued)

3. Other operating expense

	Year ended 30 June 2015 £'million	Year ended 30 June 2014 £'million
Foreign exchange loss on operations	(58)	(28)
Guarantee provided	(30)	-
Margin on transaction hedging	7	8
Market value movement on transactional foreign exchange derivative transactions	-	(1)
Other income	1	2
	<hr/>	<hr/>
	(80)	(19)
	<hr/> <hr/>	<hr/> <hr/>

Fees in respect of audit services provided by the auditor are: £112,000 (2014 - £108,000). There were no fees payable to the auditor in respect of non-audit services (2014 - £nil).

In the year ended 30 June 2015 other operating expenses included a charge of £30 million in respect of a guarantee provided to a third party financial institution.

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 (2014 - £nil).

Notes to the financial statements (continued)

5. Taxation

	Year ended 30 June 2015 £'million	Year ended 30 June 2014 £'million
(i) Analysis of taxation charge for the year		
Current tax		
Adjustment in respect of previous periods	1	-
Overseas tax	(4)	(4)
	<hr/>	<hr/>
Total current tax charge	(3)	(4)
	<hr/>	<hr/>
Deferred tax		
Origination/(reversal) of timing differences	(25)	12
Adjustment in respect of prior years	(3)	33
Effect of changes in tax rates	1	(3)
	<hr/>	<hr/>
Total deferred tax	(27)	42
	<hr/>	<hr/>
Taxation on profit on ordinary activities	(30)	38
	<hr/>	<hr/>
	<hr/>	<hr/>
(ii) Factors affecting current tax charge for the year		
Profit on ordinary activities before taxation	360	226
	<hr/>	<hr/>
Taxation on profit on ordinary activities at UK corporation tax rate of 20.75% (2014 - 22.5%)	(75)	(51)
Expenses not deductible for tax purposes	(6)	-
Items not chargeable for tax purposes	55	61
Movement of other timing difference	-	1
Tax losses not utilised	-	(12)
Utilisation of tax losses	25	-
Overseas tax	(3)	(3)
Adjustment in respect of previous periods	1	-
	<hr/>	<hr/>
Current ordinary tax charge for the year	(3)	(4)
	<hr/>	<hr/>

Notes to the financial statements (continued)

6. Other financial assets and liabilities

	Non-current financial assets £'million	Current financial assets £'million	Current financial liabilities £'million	30 June 2015 Non-current financial liabilities £'million
External derivative assets/(liabilities) not designated in hedge relationship				
Foreign exchange contracts - transaction	17	27	(43)	(1)
Foreign exchange contracts - commodity	-	1	-	-
Foreign exchange contracts - other	3	16	(66)	-
Interest rate derivatives	124	3	(1)	(67)
Cross currency interest rate swaps	137	-	-	(19)
	281	47	(110)	(87)
Intra-group derivative assets/(liabilities) not designated in hedge relationship				
Foreign exchange contracts - transaction	1	45	(25)	(16)
Foreign exchange contracts - commodity	-	-	(1)	-
Foreign exchange contracts - other	-	-	(1)	(1)
Interest rate derivatives	67	1	(3)	(124)
Cross currency interest rate swaps	19	-	-	(137)
	87	46	(30)	(278)
Total derivative assets/(liabilities)	368	93	(140)	(365)

The company entered into external cross currency interest rate swaps on behalf of a fellow group undertaking, Diageo Capital plc, market value of which amounted to £118 million at the balance sheet date (2014 - £88 million) presented as amounts falling due after one year. 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 £118 million (2014 - £88 million) presented as amounts falling due after more than one year.

Fair value movements of cross currency interest rate swaps are taken to the profit and loss account: the 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 or expense.

Notes to the financial statements (continued)

6. Other financial assets and liabilities (continued)

	30 June 2014			
	Non-current financial assets £'million	Current financial assets £'million	Current financial liabilities £'million	Non-current financial liabilities £'million
External derivative assets/(liabilities) not designated in hedge relationship				
Foreign exchange contracts - transaction	6	87	(9)	-
Foreign exchange contracts - other	2	21	(93)	-
Interest rate derivatives	133	9	(3)	(73)
Cross currency interest rate swaps	101	-	-	(13)
	242	117	(105)	(86)
Intra-group derivative assets/(liabilities) not designated in hedge relationship				
Foreign exchange contracts - transaction	-	10	(84)	(6)
Foreign exchange contracts - other	-	1	(1)	-
Interest rate derivatives	73	-	(1)	(133)
Cross currency interest rate swaps	13	-	-	(101)
	86	11	(86)	(240)
Total derivative assets/(liabilities)	328	128	(191)	(326)

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)

7. Debtors

	30 June 2015		30 June 2014	
	Due within one year £'million	Due after more than one year £'million	Due within one year £'million	Due after more than one year £'million
Amounts owed by fellow group undertakings	33,339	-	34,925	-
Corporate taxation	1	-	-	-
Other debtors	55	-	20	32
Deferred taxation (note 8)	14	-	42	-
	<u>33,409</u>	<u>-</u>	<u>34,987</u>	<u>32</u>

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.

Other debtors include interest accrual of £22 million (2014 - £19 million).

Included within other debtors are loans provided to ventures in South Africa formed by fellow group undertakings with third parties: DHN Drinks (Pty) Limited and Sedibeng Brewery (Pty) Limited. The company provided funding to these entities amounting to £33 million (2014 - £32 million).

Included in deferred taxation is an asset of £14 million (2014 - £42 million).

8. Deferred taxation

	30 June 2015 £'million	30 June 2014 £'million
Other timing differences	14	42
	<u>14</u>	<u>42</u>

Deferred taxation asset has 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.

Notes to the financial statements (continued)

9. Cash and cash equivalents

The company has entered into a joint and several guarantee with other Diageo plc UK group undertakings such that any balance on the company's bank accounts within the cashpool may be offset against the bank balances or overdrafts of those companies included in the cashpool. Cash at bank as at 30 June 2015 was £12 million (2014 - £14 million).

10. Borrowings, facilities and financial liabilities

Financial instruments comprise net borrowings, including borrowings from fellow 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 fellow group undertakings.

External borrowings

	30 June 2015 £'million	30 June 2014 £'million
Amounts falling due within one year:		
Commercial paper	274	-
Bank overdrafts	152	108
Credit support obligations	76	59
€ 1,000 million 6.625% bonds due 2014	-	800
	<u>502</u>	<u>967</u>
Amounts falling due after more than one year:		
€ 500 million 1.125% bonds due 2019	359	-
€ 850 million 1.125% bonds due 2019	601	676
€ 500 million 1.75% bonds due 2024	351	-
€ 850 million 2.375% bonds due 2026	597	674
Fair value adjustment to borrowings	-	10
	<u>1,908</u>	<u>1,360</u>

The interest rates shown above are contracted on the underlying borrowings before taking into account any interest rate protection. The above loans are stated net of unamortised finance costs of £6 million (2014 - £10 million). None of the borrowings are secured on any assets of the Diageo group.

Notes to the financial statements (continued)

10. Borrowings, facilities and financial liabilities (continued)

The company had, along with other financing companies in the Diageo group, available undrawn committed bank facilities with third parties as follows:

	30 June 2015 £'million	30 June 2014 £'million
Expiring within one year	688	365
Expiring between one and two years	-	632
Expiring after two years	1,541	1,050
	<hr/>	<hr/>
	2,229	2,047
	<hr/> <hr/>	<hr/> <hr/>

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 material 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 operating profit before exceptional items, aggregated with share of after tax results of associates and joint ventures, 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 noncompliance with covenants may, in particular circumstances, lead to an acceleration of maturity on certain borrowings and the inability to access committed facilities. Diageo was in full compliance with its financial, pari passu ranking and negative pledge covenants in respect of its material short and long term borrowings throughout each of the years presented.

Notes to the financial statements (continued)

11. Other creditors: amounts falling due within one year

	30 June 2015 £'million	30 June 2014 £'million
Amounts owed to fellow group undertakings	26,800	28,779
Accruals and deferred income	17	44
	<hr/>	<hr/>
	26,817	28,823
	<hr/> <hr/>	<hr/> <hr/>

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.

Other creditors include interest accrual of £17 million (2014 - £43 million).

12. Share capital

	30 June 2015 £'million	30 June 2014 £'million
<i>Allotted, called up and fully paid:</i>		
73,200,000,000 (2014 - 73,200,000,000) ordinary shares of 5p each	3,660	3,660
	<hr/>	<hr/>

13. Reserves

	Profit and loss account £'million
At 30 June 2014	162
Profit for the financial year	330
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At 30 June 2015	492
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Notes to the financial statements (continued)

14. Reconciliation of movement in shareholders' funds

	30 June 2015 £'million	30 June 2014 £'million
Profit for the financial year	330	264
Net addition to shareholders' funds	330	264
Shareholders' funds at the beginning of the year	3,822	3,558
Shareholders' funds at the end of the year	4,152	3,822

15. Post balance sheet events

On 28 July 2015, the ultimate holding company has agreed to sell its 42.25% indirect shareholding in DHN Drinks (Proprietary) Limited and its 25% indirect shareholding in Sedibeng Brewery (Pty) Ltd., associate undertakings to Heineken N.V. At the same time it has agreed to transfer the associated shareholder loans held by Diageo Finance plc to Heineken N.V. Completion of the transaction is expected before calendar end 2015, and is subject to regulatory approvals.

16. 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.