CAPITAL RESOURCES

The Group aims to maintain a prudent financial structure to ensure that it will be able to access adequate capital at favourable terms. The Group's core businesses, Food & Beverage ("**F&B**") and Publishing & Printing ("**P&P**"), are its main sources of cash flows.

Management monitors the Group's cash flow position, debt maturity profile, cost of funds, interest rate exposures and overall liquidity position on a continual basis. To ensure that the Group has adequate overall liquidity to finance its operations and investments, the Group maintains a significant amount of available banking facilities with many banks. The Group's Debt Issuance Programmes also provide F&N continued access to the debt capital markets.

As at 30 Sep 2017, the Group's Borrowings, net of cash, increased to $165.2m, from a net cash position of $908.5m a year ago. The increased borrowings were taken on mainly to finance the purchase of additional Vinamilk shares, which saw our stake in Vinamilk rise from 11.0% as at 30 Sep 2016 to 18.74% as at 30 Sep 2017. Consequently, the Group's net gearing increased to 5%. Cash generative businesses, ample funding sources and significant debt headroom put F&N in a strong position to tap further growth opportunities.

Interest cost in FY2017 was $16.2m, higher than the previous year's interest cost of $5.0m due to higher borrowings.

SOURCE OF FUNDING

Besides cash flow from its businesses, the Group also relies on the debt capital markets, the equity market and bilateral banking facilities for its funding. As at 30 Sep 2017, the Group has $1.4b in banking facilities and $2.5b in Debt Issuance Programmes to meet its funding requirements.

AVAILABLE BANK LINES AS AT 30 SEP 2017

The Group maintains an active relationship with a network of more than 15 banks of various nationalities, located in various countries where the Group operates. Its principal bankers are DBS Bank Ltd, Oversea-Chinese Banking Corporation, Standard Chartered Bank, Sumitomo Mitsui Banking Corporation and Crédit Agricole Corporate & Investment Bank.

The Group adopts the philosophy of engaging the banks as its core business partners. It continues to receive very strong support from its relationship banks across all segments of the Group's businesses. Total banking facilities (utilised and unutilised) extended to the Group as at 30 Sep 2017 amounted to $1.4b. The principal bankers of the Group provided 56% of these banking facilities. All banking relationships for the Group are maintained by Corporate Treasury in Singapore.

DEBT CAPITAL MARKETS

The Group has a S$2.0b multi-currency debt issuance programme in Singapore and a RM1.5b Medium Term Note ("**MTN**") Programme in Malaysia in place to tap the debt capital markets.

MATURITY PROFILE OF GROUP DEBT (EXCLUDES FINANCE LEASES)

Time to maturity	$'million
< 1 year	786
1-2 years	58
2-5 years	359
> 5 years	100
Total	**1,303**

As at the date of this report, the Group has already refinanced $0.46b in borrowings maturing before 30 Sep 2018. The Group is not expecting any refinancing issues for the remaining borrowings of $0.33b maturing by 30 Sep 2018 as most of these borrowings can be repaid with the Group's existing cash balances.

INTEREST RATE PROFILE AND DERIVATIVES

The Group manages its interest cost by maintaining a mix of fixed and floating rate borrowings. On a portfolio basis, 45% of the Group's borrowings are in fixed rates with an average fixed rate tenor of 4.8 years as at 30 Sep 2017. The fixed rate borrowings consist largely of the fixed rate notes issued under F&N Treasury Pte Ltd's Debt Issuance Programme and F&N Capital Sdn Bhd's MTN Programme. The remaining 55% of the Group's borrowings are in floating rates as at 30 Sep 2017.

In managing the interest rate profile, the Group takes into account the interest rate outlook, expected cash flow generated from its business operations, holding period of long-term investments and any acquisition and divestment plans.

The Group makes use of interest rate derivatives for the purpose of hedging interest rate risks and managing its portfolio of fixed and floating rate borrowings from time to time. The Group does not engage in trading of interest rate derivatives. It does not have any outstanding interest rate derivatives as at 30 Sep 2017.

GEARING AND NET INTEREST COVER

The Group aims to keep its net gearing ratio below 80%. As at 30 Sep 2017, the Group has net gearing of 5%. Total interest expense for the year amounted to $16.2m. The net interest income credited to profit statement for the year was $10.7m. The net interest cover over total interest expense was at 10.7 times.

FOREIGN CURRENCY RISKS AND DERIVATIVES

The Group has exposure to foreign currency risks as a result of transactions denominated in foreign currencies arising from operational, financing and investment activities. Where exposures are certain, it is the Group's policy to hedge these risks. For those exposures that are less certain in their timing and extent, it is the Group's policy to cover 50% to 90% of anticipated exposures for a maximum period of 12 months forward. The Group uses foreign exchange forward contracts and certain currency derivatives to manage these foreign currency risks.

The Group does not engage in the trading of foreign currencies and foreign currency derivatives. The Group uses foreign currency contracts and derivatives solely for hedging actual underlying foreign currency requirements in accordance with hedging limits set by the Audit and the Board Committees under the Group Treasury Policy. These policies are reviewed regularly to ensure that the Group Treasury Policy are in line with its current needs, objectives and strategy of the businesses.

The Group's foreign currency contracts and derivatives and mark-to-market values as at 30 Sep 2017 are disclosed in the financial statement in Note 35. The Group does not hedge the foreign currency risks of its investments in overseas subsidiaries, joint venture and associated companies. Such investments are long-term in nature and therefore not feasible and economical to hedge. The Group only hedges dividends payable from its overseas subsidiaries, joint ventures and associated companies.