

capital RESOURCES

The Group aims to maintain a prudent financial structure and adequate financial flexibility to ensure it continues to have access to capital at favourable terms. During the year the Group completed the relisting of its property arm, Frasers Centrepoint Limited by undertaking a dividend *in-specie* distribution of FCL shares ("FCL Distribution") to F&N shareholders. Shares of FCL were listed by way of introduction on the Main Board of the Singapore Exchange Securities Trading Limited on 9 January 2014. Following the dividend *in-specie* distribution, the Group's remaining core businesses, Food & Beverage and Publishing & Printing, are the Group's main sources of cash flows.

Management continuously monitors the Group's cash flow position, debt maturity profile, cost of funds, interest rates exposures and overall liquidity position. To ensure that the Group has adequate overall liquidity to finance its operations and investment requirements, it maintains a significant amount of available banking facilities with a large number of banks. The Group's Medium Term Notes ("MTN") Programmes also provide us continued access to the debt capital markets.

In FY2014, the Group's balance sheet strengthened. The Group went from a net borrowing position of \$1.5 billion to a net cash position of \$0.2 billion. This resulted from the FCL Distribution, the capital-intensive property arm, as the Food & Beverage business continued to remain cash generative.

Interest cost in FY2014 was \$12 million, 69% lower than the previous year's interest cost of \$39 million due to lower borrowings.

Source of Funding

Besides cash flow from our businesses, the Group also relies on the debt capital markets, equity market and bilateral banking facilities for its funding. As at 30 September 2014,

the Group has \$0.7 billion in banking facilities and \$2.6 billion in MTN Programmes to meet the funding requirements of the Group.

Available Bank Lines by Banks as at 30 September 2014

The Group maintains an active relationship with a network of more than 12 banks of various nationalities, located in various countries where the Group operates. Our principal bankers are DBS Bank Ltd, Oversea-Chinese Banking Corporation Limited, Standard Chartered Bank and The Hong Kong and Shanghai Banking Corporation.

The Group adopts the philosophy of engaging the banks as our core business partners. We continue to receive very strong support from our relationship banks across all segments of the Group's businesses. Total banking facilities (utilised and unutilised) extended to the Group as at 30 September 2014 amounted to \$0.7 billion. 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 various MTN Programmes in place to tap the debt capital market. F&N Treasury Pte Ltd has a \$2 billion MTN Programme and Fraser & Neave Holdings Bhd has a RM1.5 billion MTN Programme.

Maturity Profile of Group Debt (excludes Finance Leases)

Maturing within one year	\$23m
Maturing between 1 and 2 years	\$1m
Maturing between 2 and 5 years	\$117m
Maturing after 5 years	\$1m
	\$142m

As at the date of this report, the Group has more than sufficient resources to repay these loans as and when they fall due without having to refinance these loans.

Interest Rate Profile And Derivatives

On a portfolio basis, 97% of the Group's borrowings are in fixed rates, with an average fixed rate tenor of 3.5 years as at 30 September 2014. The fixed rate borrowings consist largely of the fixed rate notes issued under Fraser & Neave Holdings Bhd's MTN Programme. The remaining 3% of the Group's borrowings are in floating rates.

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 divestments plans.

The Group makes use of interest rates derivatives for the purpose of hedging interest rates risks and managing its portfolio of fixed and floating rate borrowings from time to time. The Group does not engage in trading of interest rates derivatives. It does not have any outstanding interest rate derivatives as at 30 September 2014.

Gearing and Interest Cover

The Group aims to keep the Group Net Gearing below 80%. As at 30 September 2014, the Group has net cash of \$0.2 billion. Total interest incurred during the year amounted to \$12 million. The net interest income credited to profit statement for the year was \$9 million. The net interest cover over total interest incurred of \$12 million was at 23 times.

Foreign Exchange Risks and Derivatives

The Group has exposure to foreign exchange risk as a result of transactions denominated in foreign currencies, arising from normal trading and

investment activities. Where exposures are certain, it is the Group's policy to hedge these risks as they arise. For those exposures 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 currency forward exchange contracts and certain currency derivatives to manage these foreign exchange risks.

The Group does not engage in the trading of foreign exchange and foreign exchange derivatives. The Group uses foreign exchange contracts and derivatives solely for hedging actual underlying foreign exchange requirements in accordance with hedging limits set by the Audit Committee and the Board under the Group Treasury Policy. These policies are reviewed regularly by the Audit and Executive Committees to ensure that the Group's policies and guidelines are in line with the Group's foreign exchange risk management objectives.

The Group's foreign exchange contracts and derivatives and the mark-to-market values as at 30 September 2014 are disclosed in the financial statement in Note 38.

The Group does not hedge its foreign exchange risks of its investments in overseas subsidiary, joint venture and associated companies. Such investments are long term in nature and therefore not feasible and economical to hedge. The Group only hedges the dividends cash flows payable from its overseas subsidiary, joint venture and associated companies.

Use of Proceeds from Issue of Shares

Pursuant to the subscription in January 2007 by Seletar Investments Pte Ltd (a subsidiary of Temasek Holdings (Private) Limited) of an aggregate 205.5 million new shares in the Company (the "Subscription Shares") representing approximately 14.9% of the enlarged share capital of the Company, the Company received aggregate issue proceeds of approximately \$900 million (the "Net Proceeds") for the Subscription Shares. The Net Proceeds is to be used for working capital, making new investments in food and beverage businesses, and for growing the Company's existing and new food and beverage business.

Pursuant to Rule 1207(20) of the Listing Manual of the Singapore Exchange Securities Trading Limited, the following is a status report on the usage of the Net Proceeds.

As at 30 September 2013, approximately \$737.4 million of the Net Proceeds remained unutilised.

During the year ended 30 September 2014,

- The Company undertook a capital reduction exercise which returned an aggregate amount of approximately \$606.9 million to shareholders. This was funded from existing cash and cash equivalents, including the unutilised Net Proceeds. After the capital reduction, a balance of approximately \$130.5 million in Net Proceeds remained.
- The Company's F&B Division¹ deployed a total of \$168.5 million for the purposes of making new investments in, and to grow, the Company's food and beverage business, brief particulars of which are set out below. The amount deployed exceeded the remaining balance of the Net Proceeds by approximately \$38 million.

Therefore, as at 30 September 2014, the Net Proceeds have been fully deployed.

	FY2014
Acquisitions	\$131.6m
Capital expenditure	\$22.6m
New product development (advertising & promotion), new market and corporate development	\$14.3m
Payment to shareholders pursuant to capital reduction	\$606.9m
	\$775.4m

Note:

¹ Excludes Fraser & Neave Holdings Bhd