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**"), as well as dividends from Vinamilk 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 F&N has adequate overall liquidity to finance its operations and investments, it 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 2021, the Group's borrowings, net of cash, decreased to $455.0m, from $553.1m a year ago. The lower net borrowings were due to an increase in the Group's cash, as progress payments for the Group's new factory in Singapore were held back due to delays in construction resulting from the COVID-19 pandemic, and an earlier receipt of Vinamilk's September 2021 interim dividend. Consequently, the Group's net gearing improved, to 0.13 times of total equity. Cash generative businesses, ample funding sources and adequate debt headroom continue to put F&N in a good position to tap further growth opportunities.

While net borrowings are lower, actual borrowings are slightly higher than last year. As such, finance costs for FY2021 increased from $24.8m in the prior year to $25.1m.

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 2021, the Group has an aggregate banking facilities of $1.1b, and $3.5b in Debt Issuance Programmes to meet its funding requirements.

AVAILABLE BANK LINES AS AT 30 SEP 2021

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 Oversea-Chinese Banking Corporation Limited, DBS Bank Ltd, CTBC Bank Co. Ltd, Crédit Agricole Corporate and Investment Bank and Standard Chartered Bank.

The Group adopts the philosophy of engaging the banks as its core business partners. It has 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 2021, amounted to $1.1b. The principal bankers of the Group provided 66.0% of these banking facilities. All banking relationships for the Group are maintained by Corporate Treasury in Singapore.

DEBT CAPITAL MARKETS

The Group has a $2.0b multi-currency debt issuance programme and a $0.5b short-term Commercial Paper Program in Singapore. The Group also has an an Islamic commercial paper programme ("**ICP Programme**") and an Islamic medium term notes programme ("**IMTN Programme**") with an aggregate limit of RM3.0b in Malaysia in place to tap the debt capital markets.

MATURITY PROFILE OF GROUP DEBT (EXCLUDES FINANCE LEASES)

Time to maturity	$'million
< 1 year	427.6
1-2 years	-
2-5 years	399.5
> 5 years	99.7
Total	**926.8**

The Group has already partially refinanced its Series 13 bond of $160m due in March 2022 and is preparing to refinance its $200m–Series 15 bond due in August 2022. The remaining balance will either be repaid with the Group's existing cash balances or refinanced with existing revolving credit facilities. The Group does not foresee any problems with the refinancing of its debts.

INTEREST RATE PROFILE AND DERIVATIVES

The Group manages its interest costs by maintaining a mix of fixed and floating rate borrowings. On a portfolio basis, 93% of the Group's borrowings are in fixed rates, with an average fixed rate tenor of 2.9 years as at 30 Sep 2021. The fixed-rate borrowings consist largely of fixed-rate notes issued under F&N Treasury Pte Ltd's Debt Issuance Programme and bilateral bank term loans that have been hedged with interest rate swaps. The remaining 7% of the Group's borrowings, as at 30 Sep 2021, are in floating rates.

In managing the interest rate profile, the Group considers the interest rate outlook, expected cash flow generated from its business operations, holding period of long-term investments and 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. It does not engage in trading of interest rate derivatives. The Group's total interest rate derivatives and the mark to market values as at 30 Sep 2021 are disclosed in the financial statement in Note 34.

GEARING AND NET INTEREST COVER

The Group aims to keep its net gearing ratio below 0.80 times of total equity and maintain a net debt to EBITDA of below 3.5 times. As at 30 Sep 2021, the Group has net gearing of 0.13 times of total equity and a net debt to EBITDA of 1.29 times. Total interest expense for the year amounted to $25.1m. The total interest income credited to profit statement for the year was $2.3m. The interest coverage ratio for FY2021 was at 10.41 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 2021 are disclosed in the financial statement in Note 34. 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.