Treasury Highlights

The Group aims to maintain a prudent financial structure to ensure that it will be able to access adequate capital at an attractive cost. The main sources of cash flow for the Group are from its three business divisions, and investment income and management fee income. Management monitors the Group's cash flow position, debt maturity profile, cost of funds, interest rates exposures and overall liquidity position on a continuous basis. To ensure that the Group has adequate overall liquidity to finance its operations and investment requirements, the Group maintains a significant amount of available banking facilities with a large number of banks and has continuous access to the debt capital markets.

Net Group Borrowings (net of cash) declined from $3.7b to $2.9b during the financial year under review. The decrease in net debt resulted from cash collection from its strong pipeline of pre-sold development projects in Singapore and overseas, as well as steady cash contribution from its beverage division and investment properties and the deconsolidation of Frasers Centrepoint Trust ("FCT"). Net Gearing (borrowings less cash) decreased from 0.55 times to 0.41 times as a result of a $0.8b decrease in net borrowings versus a growth in total equity of $0.3b to $6.9b during the financial year. Group cash increased from $1.6b to $1.7b after debt repayments as significant amounts of cash was collected during the financial year from the Group's pre-sold development projects, the disposal of two retail malls to FCT and the disposal of the glass business. The Group expects to receive approximately $1.7b in cash from its existing pre-sold projects for the financial year ending 30 Sep 2011.

Interest cost in FY2010 was $187.6m (of which $97.1m was capitalised), 18.3% lower than the previous year's interest cost of $229.5m (of which $145.8m was capitalised) mainly due to lower borrowings and lower interest rates.

Source of Funding

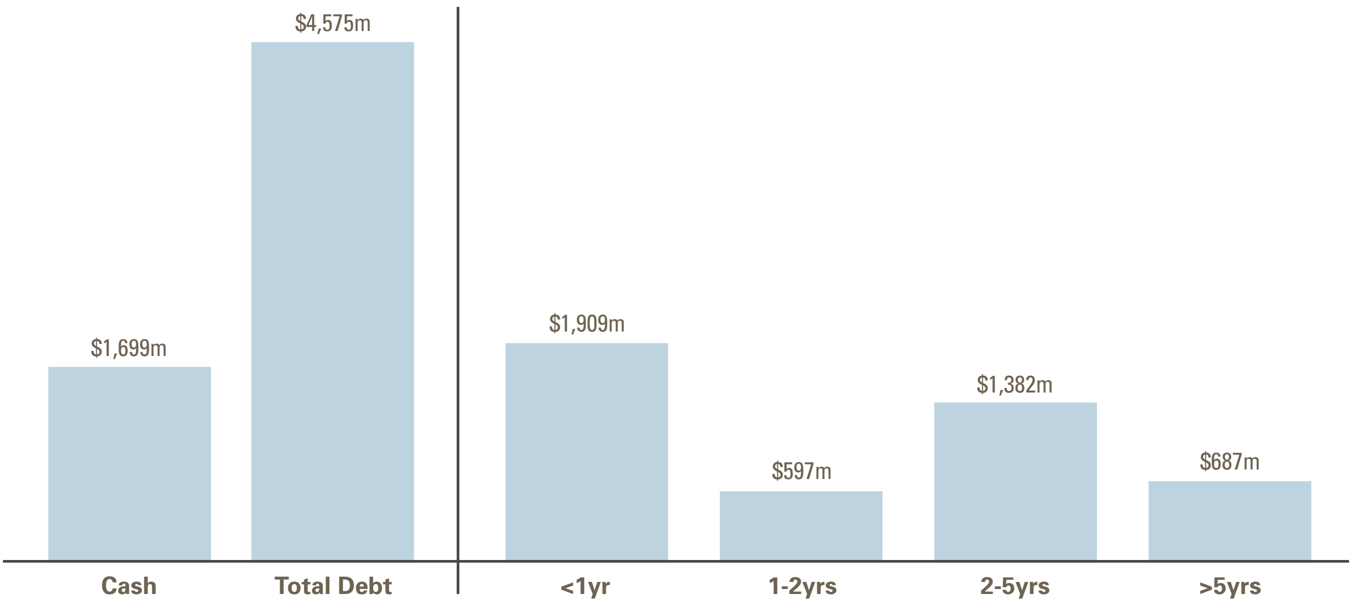
The Group relies on the debt capital and syndicated loans markets, equity market and bilateral banking facilities for its funding. As at 30 Sep 2010, the Group has $4.8b in banking facilities, $1.0b in Transferable Term Loan Facilities and $3.4b in Medium Term Note Programmes to meet the funding requirements of the Group.

Available Bank Lines by Banks as at 30 Sep 2010

The Group maintains an active relationship with a network of more than 20 banks of various nationalities located in various countries where the Group operates. The Group continues to adopt the philosophy of engaging the banks as our core business partners and this approach has served the Group well in the last financial turbulence in 2008/2009. The Group continues to receive very strong support from our relationship banks across all segments of the Group's business. The Group's principal bankers are Overseas-Chinese Banking Corporation, DBS Bank Ltd and Standard Chartered Bank. Total banking facilities (utilised and unutilised) extended to the Group as at 30 Sep 2010 amounted to $4.8b. Eight of the Group's relationship banks provided 70% of these banking facilities. All banking relationships for the entire Group are maintained by Corporate Treasury in Singapore.

As at the date of this report, the Group has already refinanced or repaid $852m of debts maturing within the next 12 months, to 30 Sep 2011. For the remaining $1.1b due by 30 Sep 2011, the Group currently has more than sufficient resources to repay these loans as and when they fall due without having to refinance these loans.

Debt Maturity Profile (Including Finance Leases)



Interest Rate Profile And Derivatives

The Group manages its interest cost by maintaining a prudent 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 3.3 years as at 30 Sep 2010. The remaining 55% of the Group's borrowings are in floating rates as at 30 Sep 2010. The floating rate loan portfolio allows the Group to maintain a flexible maturity profile to support divestments and cash inflows from sales of development property where debt can be reduced quickly.

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. The Group does not engage in trading in interest rates derivatives. The Group's total interest rate derivatives and the mark to market values as at 30 Sep 2010 are disclosed in the financial statement in Note 38.

Gearing And Interest Cover

The Group aims to maintain a Net Debt to Total Equity ratio of below 1. As at 30 Sep 2010, this ratio was 0.41. Total interest paid during the year amounted to $187.6m, of which $97.1m was capitalised as part of Properties Under Development. The net interest charged to profit statement for the year was $62.3m and net interest cover was at 17.2 times. Net Borrowings over EBITDA was at 2.4 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 80% 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 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 Sep 2010 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 to and from its overseas subsidiary, joint venture and associated companies.