Financial Report for the half year ended 31 December 2014

FEDERATION LIMITED

Comprising Federation Limited – ABN 90 114 757 783
Federation Centres Trust No. 1 – ARSN 104 931 928
and their controlled entities, which are known as the
ASX listed stapled group, Federation Centres.

Directors of Federation Limited

Bob Edgar (Chairman)

Steven Sewell (Chief Executive Officer and Managing Director)

Clive Appleton

Tim Hammon

Charles Macek

Fraser MacKenzie

Debra Stirling

Wai Tang

Secretary of Federation Limited

Elizabeth Hourigan

Auditor

Ernst & Young
Ernst & Young Building
8 Exhibition Street
Melbourne Victoria 3000

Security Registrar

Link Market Services Limited
Level 1, 333 Collins Street
Melbourne Victoria 3000

FEDERATION CENTRES

Contents

Directors' Report

The Directors of Federation Limited present the half-year financial report of Federation Centres for the half-year ended 31 December 2014.

Federation Centres

The ASX-listed Australian Real Estate Investment Trust (A-REIT) Federation Centres (the Group or FDC) comprises Federation Limited (the Company or FL) and Federation Centres Trust No. 1 (FCT 1). Although separate entities, the securities of each entity are stapled to ensure that they are traded as a single interest, and since FDC is a stapled entity, none of the stapled entities exercises control over the other.

In preparing the consolidated accounts of FDC, FL has been identified as the parent of FDC on the basis that the Directors and management of FDC are employed by FL and its subsidiaries, and accordingly the financial and operating policies of FDC are governed by FL. By virtue of being a stapled security, the interests of securityholders in FCT 1 (i.e. the non-parent entities) are presented as non-controlling interests.

Directors

The Board of Directors of Federation Limited and Federation Centres Limited as Responsible Entity (RE) of FCT 1 (together, the FDC Board) consists of the same members. The following persons were members of the FDC Board up to the date of this report unless otherwise stated:

Bob Edgar (Chairman)

Steven Sewell (Chief Executive Officer and Managing Director)

Clive Appleton

Tim Hammon

Charles Macek

Fraser MacKenzie

Debra Stirling

Wai Tang

Company Secretary

The Company Secretary is Elizabeth Hourigan.

Principal activities

The principal activities of the Group during the period were property investment, property management, and property development and leasing.

Significant matters

(a) Merger of Novion and Federation Centres

On 3 February 2015, Novion Property Group (Novion) and Federation Centres announced that they have entered into a Merger Implementation Agreement to merge subject to certain conditions (the Merger). Implementation of the Merger requires the approval by Novion securityholders of Novion schemes of arrangement, as well as other customary conditions including: court approval, regulatory approvals (including Foreign Investment Review Board) and an independent expert concluding the Merger is fair and reasonable to, and in the best interest of, Novion securityholders.

Further details of the transaction and impact on FDC are included in the detailed presentation lodged with the ASX.

(b) Simplification of FDC structure

On 30 October 2014, securityholders approved the simplification of the corporate structure, by changing it from the complex quadruple stapled vehicle consisting of the Company and three trusts (being FCT 1, Federation Centres Trust No. 2 and Federation Centres Trust No. 3), to a more conventional double-stapled vehicle consisting of the Company and FCT 1. The simplification restructure was completed on 10 November 2014.

Other than transaction costs and stamp duty expenses incurred to effect the restructure, there was no other financial impact to FDC arising from the simplification.

(c) Debt capital market transaction

In August 2014, FDC entered into new banking arrangements with its incumbent lenders resulting in the replacement of the syndicated facility with a club style banking structure. Under these arrangements, FDC can negotiate volume, tenor and price on a bilateral basis, while the facility terms are governed by common provisions applicable to all participating lenders.

Following on from the second bond issuance in May 2014 under the Australian Medium Term Note (AMTN), FDC was also able to reduce its core banking limits from $1.555 billion to $1.405 billion (a reduction of $150 million equivalent to the A$ bond face value), comprising:

- $555 million maturing August 2015;
- $250 million maturing August 2016;
- $200 million maturing August 2017;
- $200 million maturing August 2018; and
- $200 million maturing August 2019.

The revised financial covenants are less onerous on the Company.

(d) Portfolio repositioning

FDC continued with its strategic objectives to reposition and upgrade the portfolio through enhancements, redevelopments and transactions. During the period, the following property transactions were executed:

Date	Properties	FDC Interest acquired/ sold	Price $M	Cap. Rate	Details
Acquisitions – external					
17.10.14	Mt Ommaney (QLD)	25%	104.1	6.25%	Acquired under co-ownership arrangement with TIAA Henderson Real Estate, which holds the remaining 75% stake.
20.10.14	Bentons Square (VIC)	50%	38.3	6.50%	Acquired from a private investor and entered into put and call option arrangements in relation to the remaining 50% interest, exercisable before or in July 2016.
29.11.14	Currambine Central (WA)	100%	74.0	7.00%	Acquired from a private investor.
			216.4		
Acquisitions – Retail Direct Property (RDP) syndicates					
20.10.14	Brandon Park (VIC)	50%	57.9	7.75%	All externally held units in RDP 6 acquired for $24.4 million on 30 September 2014. On 20 October 2014, disposed of 50% of the property to a major Australian corporate superannuation fund manager under a co-ownership arrangement.
30.11.14	Belmont (VIC)	100%	41.5	7.25%	All externally held units in RDP 5 acquired for $26.6 million.
	Kurralta (SA)	100%	34.5	7.25%	
30.11.14	Kalamunda (WA)	100%	33.0	7.50%	All externally held units in RDP 14 acquired for $36.8 million.
	Stirlings Central (WA)	100%	46.4	7.25%	
30.11.14	Hilton (SA)	100%	19.2	7.25%	All externally held units in RDP 18 acquired for $15.0 million.
	The Gateway (VIC)	100%	35.2	7.75%	
			267.7		
Disposals – external					
18.08.14	Springwood (QLD)	100%	53.3	7.25%	Properties sold to external parties
1.9.14	Somerville (VIC)	100%	42.1	7.25%	
24.10.14	Arndale (SA)	100%	152.0	7.00%	
1.12.14	Emerald Market (QLD)	100%	14.7	10.00%	
1.12.14	Emerald Village (QLD)	100%	18.3	11.50%	
	Completed at 31.12.14		**280.4**		
23.12.14	Woodlands Village (QLD)	100%	11.0	9.75%	Unconditional contracts to dispose properties executed with external parties, with settlements occurring for Mildura Central and Warrnambool North in February 2015. Woodlands Village settled on 30 January 2015. These properties are classified as held for sale at 31 December 2014.
22.12.14	Mildura Central (VIC)	100%	109.8	7.00%	
11.11.14	Warrnambool North (VIC)	100%	13.7	7.50%	
	Completed after 31.12.14		**134.5**		
	Total disposed		**414.9**		

Operating and Financial Review

Property operational review

The FDC portfolio continues to perform in line with expectations, despite the retail environment remaining subject to fluctuations. This is a reflection of the diversification of the FDC portfolio by geography, centre type and retailer, and management's focus on operational efficiencies.

Comparable direct property investment income growth of 3.7% was achieved for the six months ended 31 December 2014 and the portfolio recorded sales growth of 1.3%[1]. This result was underpinned by the performance of the specialty and mini major retailers. The portfolio's specialty occupancy cost ratio was 14.7%.

Demand for quality retail space has continued with FDC's leasing team maintaining an occupancy level of 99.5% as at 31 December 2014. A positive leasing spread of 3.2% was achieved for the leasing deals completed during the half.

Financial performance

The following summary Segment Income Statement is extracted from Note 2 of FDC's Half-Year Financial Report.

	31.12.14	31.12.13	Change
	$m	$m	$m
Direct property investment income	170.1	149.1	21.0
Syndicate investment income and management fees	4.0	10.9	(6.9)
Property management, development and leasing fees	7.0	7.6	(0.6)
Total income	**181.1**	**167.6**	**13.5**
Overheads and depreciation (net of recoveries)	(21.4)	(22.2)	0.8
Borrowing costs	(30.7)	(26.6)	(4.1)
Underlying earnings	**129.0**	**118.8**	**10.2**
Non-distributable items :			
Asset revaluations	141.5	45.1	96.4
Reversal of stamp duty provision acquired on Aggregation	-	64.7	(64.7)
Transaction costs on business combinations and simplification	(38.9)	(13.5)	(25.4)
Software implementation costs	(4.9)	-	(4.9)
Other non-distributable items	(4.2)	11.6	(15.8)
Statutory net profit	**222.5**	**226.7**	**(4.2)**

FDC statutory net profit was $222.5 million for the half-year, a decrease of $4.2 million from the prior period. Increases in direct property investment income of $21.0 million and asset revaluations of $96.4 million were offset by:

- $64.7 million decrease in income arising from the once-off stamp duty reversal in the previous period;
- transaction costs of $38.9 million arising mainly from stamp duty payments on property and syndicate acquisitions, as well as deferred debt costs on restructure of FDC debt facilities in July 2014; and
- software implementation costs incurred on roll-out of an enterprise-wide information technology platform.

Underlying Earnings for the half-year was $129.0 million, an increase of $10.2 million from the comparative period. The increase is due to increased property investment income – a direct outcome of the strategy to reposition the portfolio to higher yielding assets and actively divest non-performing assets.

The increase is partially offset by an increase in finance costs as the volume of debt increased to fund developments and certain asset acquisitions (given acquisitions were in excess of disposals), and by the reduction in syndicate income given the completion of the wind up of the syndicate business.

FDC's Funds from Operations (FFO) for the period and Adjusted Funds from Operations (AFFO) are as follows:

	31.12.14	31.12.13	Change
	$m	$m	$m
Underlying earnings	**129.0**	**118.8**	**10.2**
Adjusted for:			
Amortisation of rent free periods	0.9	0.7	0.2
FFO	**129.9**	**119.5**	**10.4**
Adjusted for:			
Maintenance and operating capital expenditure	(14.2)	(10.5)	(3.7)
Other Adjustments	-	(0.7)	0.7
AFFO before Software implementation costs	**115.7**	**108.3**	**7.4**
Less: Software implementation costs	(4.9)	-	(4.9)
AFFO after Software implementation costs	**110.8**	**108.3**	**2.5**

Key measures

	31.12.14	31.12.13
Earnings per security	**15.6**	**15.9**
Underlying Earnings Per Security (UEPS) – cents	**9.0**	**8.3**
Distribution Per Security (DPS) – cents	**8.4**	**7.5**
% of AFFO before Software implementation costs	**103.6%**	**98.9%**
% of AFFO after Software implementation costs	**108.2%**	**98.9%**

[1] Calculated in accordance with SCCA standards. Prior year included 53 week reporting period for Wesfarmers and Woolworths Group. For comparison purposes, prior year has been adjusted to reflect a 52 week reporting period.

Financial position

The balance sheet of FDC remains strong with:

- an increase in property investments owned to $5.1 billion, attributable to an increase in the number of investment properties to 68 and valuation growth of $141.5 million, partially offset by a decrease in managed fund investments due to the wind up of the syndicate business;
- a gearing ratio(1) of 26.8%, an increase from 30 June 2014, but still at the lower end of our target range of 25% to 35%; and
- an increase in Net Tangible Assets to $2.44 per unit, mainly due to increased property valuations during the period.

The balance sheet below is prepared on a summarised basis and derived from Note 2 of FDC's half year financial statements.

	31.12.14	30.06.14	Change
	$m	$m	$m
Cash and cash equivalents	66.0	57.3	8.7
Property investments	5,096.1	4,651.0	445.1
Managed fund investments	6.4	88.2	(81.8)
Intangible assets	199.7	199.7	-
Other assets	57.8	49.2	8.6
Total assets	**5,426.0**	**5,045.4**	**380.6**
Interest bearing liabilities	1,449.8	1,210.7	239.1
Other liabilities	288.9	245.3	43.6
Total liabilities	**1,738.7**	**1,456.0**	**282.7**
Net assets	**3,687.3**	**3,589.4**	**97.9**

Key measures

	31.12.14	30.06.14
Gearing (1)	**26.8%**	**24.1%**
NTA per security ($)	**2.44**	**2.37**

(1) Interest bearing liabilities less cash and cash equivalents divided by total tangible assets less cash and cash equivalents.

Active redevelopment pipeline

Significant progress continues on our national development pipeline. The Warnbro Centre redevelopment was completed during the half, ahead of schedule, below budget and key financial performance indicators well above budget.

Work continues on the $112 million Cranbourne Park expansion, the first stage is well on track to open on schedule on 26 March 2015. Developments at Colonnades, Halls Head Central, Maitland Hunter Mall and Warriewood Square with a combined value of $197 million have been Board approved and have commenced or due to commence shortly.

Most recently, FDC submitted development applications for redevelopments at The Glen (VIC) and Mandurah Forum (WA) which have a combined value of approximately $800 million, with FDC contributing approximately $300 million.

Distribution

On 2 December 2014 the Directors declared a distribution for the half-year ended 31 December 2014 of 8.4 cents per FDC stapled security, which translates to interim distributions payable to securityholders of $119.9 million. The payment date of the interim distribution will be 25 February 2015.

Forecast

On a standalone basis, the FDC full year guidance for underlying earnings per share remains between 18.0 to 18.3 cents per security, with a payout ratio expected to be within the range of 90% to 95% of underlying earnings and 95% to 105% of AFFO.

If the Merger with Novion proceeds, FDC securityholders are expected to receive a second half distribution that is at least equal to the current guidance of 8.5 cents per security (based on full year FY2015 distribution guidance of 16.9 cents per security and the first half payment of 8.4 cents per security).

Events occurring after the end of the reporting period

Merger of Novion and FDC

Refer to significant matters above.

Settlement of properties disposed

The settlement of Woodlands Village, disposed of for $11 million, successfully completed on 30 January 2015.

The settlement of Warrnambool North, disposed of for $13.7 million, successfully completed on 9 February 2015.

The settlement of Mildura Central, disposed of for $109.8 million, successfully completed on 12 February 2015.

Except for the matters discussed above, no other matter or circumstance has arisen in the interval between 31 December 2014 and the date hereof that has significantly affected or may significantly affect:

i. the Group's operations in current and future financial years, or

ii. the results of those operations in current and future financial years, or

iii. the Group's state of affairs in current and future financial years.

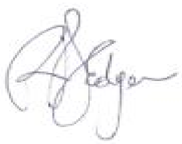
Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 7.

Rounding of amounts to the nearest thousand dollars

The Company is an entity of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' Report and Financial Report. Amounts in the Directors' Report and Financial Report have been rounded off, in accordance with that class order, to the nearest thousand dollars or in certain cases, to the nearest dollar.

Signed in Melbourne on 19 February 2015 in accordance with a resolution of the Directors.



Bob Edgar

Chairman

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

Auditor's Independence Declaration to the Directors of Federation Limited

In relation to our review of the financial report of Federation Limited for the half-year ended 31 December 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

David Shewring
Partner
Melbourne
19 February 2015

Statements of Comprehensive Income

for the half-year ended 31 December 2014

		Federation Limited and its Controlled Entities	
		31.12.14	31.12.13
	Notes	$m	$m
REVENUE			
Property ownership revenue		260.4	255.6
Services revenue		6.9	6.4
Distribution revenue		0.3	1.0
Interest revenue		4.8	5.7
Total Revenue		**272.4**	**268.7**
Share of net profits of associates and joint venture partnerships accounted for using the equity method	3(a)	(9.1)	2.9
Property revaluation increment for directly owned properties	3(b)	165.2	66.5
Other income		0.5	2.9
Borrowing costs	4(b)	(33.8)	(37.3)
Direct property expenses		(66.1)	(66.4)
Employee benefits expenses		(31.7)	(33.0)
Other expenses from ordinary activities		(16.8)	(12.8)
Net movement on mark to market of derivative financial instruments		(9.2)	(0.4)
Movement in net assets attributable to puttable interests in consolidated finite life trusts		(10.0)	(15.6)
Reversal of stamp duty provision acquired on Aggregation		-	64.7
Stamp duty expense on business combinations		(10.3)	(6.2)
Stamp duty written off on acquisition of investment properties	3(b)	(12.5)	(5.9)
Net loss from capital transactions and selling costs		(7.0)	(0.5)
Deferred debt costs written off as a result of capital transactions		(9.1)	(0.9)
PROFIT BEFORE INCOME TAX EXPENSE		**222.5**	**226.7**
Income tax (expense)/benefit		-	-
NET PROFIT AFTER TAX [(1)]		**222.5**	**226.7**
Net profit/(loss) attributable to:			
Federation Limited securityholders		(13.4)	(22.0)
Federation Centres Trust No. 1 securityholders		235.9	248.7
NET PROFIT ATTRIBUTABLE TO SECURITYHOLDERS OF FEDERATION CENTRES		**222.5**	**226.7**
Basic loss per security in Federation Limited (cents)	5	(0.9)	(1.5)
Diluted loss per security in Federation Limited (cents)	5	(0.9)	(1.5)
Basic earnings per stapled security in Federation Centres (cents)	5	15.6	15.9
Diluted earnings per stapled security in Federation Centres (cents)	5	15.5	15.8

[(1)] There was no other comprehensive income for the year. Net profit or loss equals comprehensive income for the year.

The above Statements of Comprehensive Income should be read in conjunction with the accompanying notes.

Balance Sheets

as at 31 December 2014

	Notes	Federation Limited and its Controlled Entities 31.12.14 $m	30.06.14 $m
CURRENT ASSETS			
Cash assets and cash equivalents		66.0	64.9
Receivables and other assets		51.3	40.9
Non-current assets classified as held for sale	3	134.5	95.3
Financial assets carried at fair value through profit or loss		3.5	3.5
Total current assets		**255.3**	**204.6**
NON-CURRENT ASSETS			
Receivables and other assets		117.4	117.4
Investments accounted for using the equity method	3(a)	96.9	106.0
Investment property	3(b)	4,715.3	4,613.1
Financial assets carried at fair value through profit or loss		2.9	2.9
Intangible assets		199.7	199.7
Plant and equipment		5.6	6.0
Total non-current assets		**5,137.8**	**5,045.1**
TOTAL ASSETS		**5,393.1**	**5,249.7**
CURRENT LIABILITIES			
Interest bearing liabilities	4	554.9	136.7
Payables and other liabilities		199.9	211.6
Provisions		26.9	25.0
Derivative financial instruments		2.3	0.7
Total current liabilities		**784.0**	**374.0**
NON-CURRENT LIABILITIES			
Interest bearing liabilities	4	862.0	1,177.8
Other liabilities		39.8	0.6
Derivative financial instruments		20.0	12.5
Puttable interests in consolidated finite life trusts	6	-	95.4
Total non-current liabilities		**921.8**	**1,286.3**
TOTAL LIABILITIES		**1,705.8**	**1,660.3**
NET ASSETS		**3,687.3**	**3,589.4**

The above Balance Sheets should be read in conjunction with the accompanying notes.

Balance Sheets
as at 31 December 2014 (continued)

	Federation Limited and its Controlled Entities	
	31.12.14	30.06.14
	$m	$m
EQUITY		
Equity attributable to securityholders of Federation Limited		
Contributed equity	-	-
Share-based payment reserve	8.9	7.9
Accumulated losses	(81.2)	(67.8)
Total equity attributable to securityholders of Federation Limited	**(72.3)**	**(59.9)**
Equity attributable to securityholders of Federation Centres Trust No. 1		
Contributed equity	3,657.2	3,657.2
Accumulated profits / (losses)	102.4	(7.9)
Total equity attributable to securityholders of Federation Centres Trust No. 1	**3,759.6**	**3,649.3**
Equity attributable to securityholders of Federation Centres		
Federation Limited securityholders	(72.3)	(59.9)
Federation Centres Trust No. 1 securityholders	3,759.6	3,649.3
TOTAL EQUITY ATTRIBUTABLE TO SECURITYHOLDERS OF FEDERATION CENTRES	**3,687.3**	**3,589.4**

The above Balance Sheets should be read in conjunction with the accompanying notes.

Statements of Changes in Equity

for the half- year ended 31 December 2014

	Federation Limited and its Controlled Entities			
	Contributed equity	Accumulated losses	Share base payment reserve	Total
	$m	$m	$m	$m
As at 1 July 2013	**3,657.2**	**(298.7)**	**4.5**	**3,363.0**
Net profit for the half-year [(1)]	-	226.7	-	226.7
Share based payments	-	-	1.7	1.7
Distribution paid and payable [(2)]	-	(107.0)	-	(107.0)
As at 31 December 2013	**3,657.2**	**(179.0)**	**6.2**	**3,484.4**

	Federation Limited and its Controlled Entities			
	Contributed equity	Accumulated (losses)/profits	Share base payment reserve	Total
	$m	$m	$m	$m
As at 1 July 2014	**3,657.2**	**(75.7)**	7.9	**3,589.4**
Net profit for the half-year [(1)]	-	222.5	-	222.5
Share based payments	-	-	1.0	1.0
Distribution paid and payable [(2)]	-	(125.6)	-	(125.6)
As at 31 December 2014	**3,657.2**	**21.2**	**8.9**	**3,687.3**

The above Statements of Changes in Equity should be read in conjunction with the accompanying notes.

[(1)] Net profit for the year is equal to other comprehensive income as there are no items recognised directly in other comprehensive income. For accounting purposes FL is the identified parent of FDC. As a result, FCT 1 is considered as a non-controlling interest. The analysis of total comprehensive income/(loss) between FL and other stapled entities is as follows:

	Federation Limited and its Controlled Entities	
	13.12.14	31.12.13
	$m	$m
Total comprehensive loss attributable to Federation Limited	(13.4)	(22.0)
Total comprehensive income attributable to other stapled entities of Federation Centres	235.9	248.7
Total comprehensive income	**222.5**	**226.7**

[(2)] Distributions paid and payable for the half-year of $125.6 million represents the additional 0.4 cents per stapled security declared on 22 August 2014 and 8.4 cents per stapled security declared on 2 December 2014 (2013: 7.5 cents)

Cash Flow Statements

for the half-year ended 31 December 2014

	Federation Limited and its Controlled Entities	
	31.12.14 $m	31.12.13 $m
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	262.7	274.7
Payments to suppliers and employees	(122.9)	(115.8)
Distributions received from associates and managed investments	1.8	3.5
Interest and other income received	4.9	6.1
Interest paid/derivative settlements	(32.6)	(37.1)
Deferred debt costs paid	(3.8)	(3.3)
Net cash inflow from operating activities	**110.1**	**128.1**
CASH FLOWS FROM INVESTING ACTIVITIES		
Returns of capital received from other investments	-	65.5
Payments for plant and equipment and other investments	(0.1)	(8.3)
Proceeds from disposal of investment properties net of selling costs	332.4	441.0
Acquisition of investment properties	(216.4)	(106.0)
Payments for capital expenditure on investment properties	(58.5)	(46.8)
Transaction costs paid on capital transactions	-	(3.0)
Other stamp duty paid	(21.0)	(6.9)
Net cash inflow from investing activities	**36.4**	**335.5**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	1,459.9	436.1
Repayments of borrowings	(1,364.2)	(736.3)
Break costs paid on repayment of borrowings	-	(0.7)
Receipt of related party loan repayments	-	21.3
Acquisition of puttable interests in consolidated finite life trusts	(120.1)	(66.3)
Distributions paid to external securityholders	(121.0)	(113.1)
Net cash outflow from financing activities	**(145.4)**	**(459.0)**
Net increase in cash and cash equivalents	**1.1**	**4.6**
Cash and cash equivalents at the beginning of the half-year	64.9	102.7
Cash and cash equivalents at the end of the half-year	**66.0**	**107.3**

The above Cash Flow Statements should be read in conjunction with the accompanying notes.

Notes to and forming part of the consolidated financial statements

for the half-year ended 31 December 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. The financial report includes financial statements of Federation Limited (the Group or FDC) consisting of Federation Limited and Federation Centres Trust No. 1 and their controlled entities.

(a) Basis of preparation of financial statements

This condensed consolidated half-year financial report for the half-year ended 31 December 2014 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year. When the presentation or classification of items in the half-year financial report is amended, comparative amounts are also reclassified unless it is impractical.

The Group has not elected to early adopt any new Australian Accounting Standards that have been issued but are not yet effective.

This condensed consolidated half-year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this half-year report is to be read in conjunction with the annual report for the year ended 30 June 2014 and any public announcements made by FDC during the half-year period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the Listing Rules of the Australian Securities Exchange.

(i) Going concern

These financial statements have been prepared on a going concern basis.

(ii) Historical cost convention

These financial statements have been prepared on an historical cost basis, except for certain financial assets and financial liabilities (including derivative instruments) and investment property which have all been recognised at fair value.

(iii) Rounding of amounts

The Company is an entity of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the “rounding off” of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest one hundred thousand dollars; or in certain cases, the nearest dollar.

(b) Significant accounting estimates, judgements and assumptions

(i) Investment property values (refer Note 3)

Investment properties are carried at their fair value. Valuations are based on either an independent valuation or a Directors’ valuation, which is supported by the extrapolation of independent valuations on similar properties. Valuations are determined based on assessments and estimates of uncertain future events in property markets and availability of similar properties, vacancy rates, market rents and capitalisation and discount rates. Refer to Note 3(b) for further information regarding investment property valuations.

(ii) Fair value of financial instruments

Management uses its judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For mark to market derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument. Other financial instruments are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates.

(iii) Intangible assets

At 31 December 2014, the Group carries a value for goodwill of $199.7 million. The recoverable amount of the goodwill has been determined based on the fair value less costs of disposal. The fair value less costs of disposal of goodwill is based on the estimated market price of the asset in an arm’s length transaction, and is calculated using a discounted cash flow model using assumptions that are expected to be made by other market participants. No indicators of impairment were identified at 31 December 2014.

(c) Impact of new and amended standards

No new and amended standards that became effective for FDC on 1 July 2014 had a material impact on the financial statements.

(d) Future impact of Accounting Standards and Interpretations issued but not yet effective

Certain new Accounting Standards and Interpretations have been published that are not mandatory for the 31 December 2014 reporting period. FDC has assessed the impact of these new Accounting Standards and Interpretations that are relevant to the Group (based on the current and known future activities of the Group), and does not expect any material impact on FDC’s net assets, net profit, presentation or disclosures when these standards become effective for FDC.

2. SEGMENT INFORMATION

AASB 8 *Operating Segments* requires a 'management approach' in identifying and presenting segment information, that is, segment information is presented on the same basis as that used for internal reporting purposes. The Group has identified its operating segments based on the internal reports that are reviewed and used by the Chief Operating Decision Maker (which for FDC is the Chief Executive Officer and Managing Director (CEO)) in assessing performance and in determining the allocation of resources.

Operating segments

Operating segments have been identified as investment activities and services business activities as follows:

(i) Investment activities

FDC has investments in direct ownership of properties in Australia as well as unlisted funds. The CEO reviews FDC's investments based on its percentage ownership held irrespective of whether it controls the investment or not.

(ii) Services business activities

The Group's services business generates revenue in the form of fees from property management, leasing and development. The Group provides personnel, systems and facilities to deliver these services to the shopping centres.

The CEO monitors segment performance using segment income. Segment income for investment activities is the Group's percentage share of net operating income from properties, syndicates and other investments. The CEO also monitors the Group's performance using underlying earnings. Underlying earnings is a financial measure which represents the profit/(loss) under Australian Accounting Standards adjusted for certain unrealised and non-cash items, reserve transfers, capital transactions and other non-core items. The inclusion of underlying earnings as a measure of profitability of FDC provides investors with the same basis that is used internally for evaluating operating segment performance.

The CEO reviews segment income, underlying earnings, Funds from Operations (FFO) and Adjusted Funds from Operations (AFFO) as a performance measure for the Group, to make strategic decisions and as a guide to assessing an appropriate distribution to declare.

Overheads comprise corporate office overhead costs incurred. Borrowing costs include interest expense on borrowings, interest income and amortisation of borrowing costs. Neither overheads nor borrowing costs are allocated to individual segments, but they are included in order to arrive at underlying earnings and facilitate reconciliation to the Group's net profit for the year.

Accounting policies

The accounting policies used by the Group in reporting segment information are the same as those detailed in Note 1 to the report for the year ended 30 June 2014.

Segment income

For the preparation of financial statements, results are consolidated and certain income streams are eliminated where the Group has control of an entity. However, operating results used for internal reporting represent equity accounted or 'ownership share' results. Direct property investment income represents FDC's ownership share of the net operating income from its investments. Services business income represents revenue generated from services provided to Retail Direct Property (RDP) syndicates. This format of reporting is regularly used by the CEO to make operational decisions about allocating resources to operating segments.

2. SEGMENT INFORMATION (continued)

Segment Income Statements

	Federation Limited and its Controlled Entities	
	31.12.14 $m	31.12.13 $m
Direct property investment income	170.1	149.1
Syndicate investment income	1.8	7.9
Investment income	**171.9**	**157.0**
Property management, development and leasing fees	7.0	7.6
Syndicate management fees	2.2	3.0
Services income	**9.2**	**10.6**
Total segment income	**181.1**	**167.6**
Overheads, net of recoveries	(20.6)	(21.3)
Depreciation and amortisation	(0.8)	(0.9)
Borrowing costs	(30.7)	(26.6)
Underlying earnings	**129.0**	**118.8**
Non-distributable items:		
Investment property revaluations (1)	141.5	45.1
Reversal of stamp duty provision acquired on Aggregation	-	64.7
Net profits in consolidated syndicates, net of declared distributions	2.3	8.7
Net mark to market movements on derivatives	(9.6)	(0.4)
Deferred debt costs written off and debt break cost paid as a result of capital transactions	(9.1)	(0.9)
Stamp duty expenses	(22.8)	(12.1)
Net loss from capital transactions and selling costs	(7.0)	(0.5)
Software implementation costs	(4.9)	-
Other non-distributable items	3.1	3.3
Net profit	**222.5**	**226.7**

(1) Includes revaluations of properties accounted for as equity accounted investments.

Funds From Operations (FFO) and Adjusted Funds From Operations (AFFO)

FFO is the organisation's underlying and recurring earnings from its operations. This is determined by adjusting statutory net profit (under AIFRS) for certain non-cash and other items.

AFFO is determined by adjusting FFO for other cash and other items which have not been adjusted in determining FFO. The following reconciliation reflects the adjustments required from underlying earnings disclosed to FFO and AFFO.

	Federation Limited and its Controlled Entities	
	31.12.14 $m	31.12.13 $m
Underlying earnings	**129.0**	**118.8**
Adjusted for:		
Amortisation of rent free periods	0.9	0.7
Funds From Operations	**129.9**	**119.5**
Adjusted for:		
Derivative and debt break costs arising from early repayment of borrowings	-	(0.7)
Maintenance capital expenditure and tenant incentives given for the period	(14.2)	(10.5)
Adjusted Funds From Operations before Software implementation costs	**115.7**	**108.3**
Software implementation costs	(4.9)	-
Adjusted Funds From Operations	**110.8**	**108.3**

2. SEGMENT INFORMATION (continued)

Reconciliation of total segment income to the Statements of Comprehensive Income

The following is a reconciliation of total segment income to total revenue per the Statement of Comprehensive Income. Segment income is the share of net operating income of investments properties and distributions received from managed fund investments. Therefore, to reconcile to total revenue per the Income Statement, we deduct the distributions received, deduct intra-group revenues, add back expenses deducted in determining net operating income from properties and add back interest revenue not included in segment income, as shown below:

	Federation Limited and its Controlled Entities	
	31.12.14 $m	**31.12.13 $m**
Total segment income	**181.1**	**167.6**
Less:		
Net property income from equity accounted investments not shown in revenue per the Income Statement	(8.1)	(7.8)
Distribution income from consolidated managed fund investments included in managed fund investment income	(1.6)	(6.9)
Intra-group services income from consolidated managed funds eliminated on consolidation	(2.3)	(4.2)
Add:		
Net expenses directly attributable to direct property investments deducted in determining direct property investment income	86.2	77.4
Property ownership revenue from consolidated managed fund investments	12.6	37.4
Interest revenue not included in segment income	4.5	5.1
Total revenue per statement of comprehensive income	**272.4**	**268.6**

Segment Balance Sheets

The CEO reviews the financial position of the Group using a Segment Balance Sheet prepared under an alternative basis of preparation. This provides the CEO with a snapshot of FDC's actual economic interests in all of its investments, excluding interests held by external parties (classified as puttable interests) on a line by line basis.

The Segment Balance Sheet is adjusted for investments held in joint ventures and associates which are recognised on a "look-through" or gross basis, to reflect the gross property value of the underlying investment property. Any borrowings and interest rate swap derivatives of the equity accounted investments are also grossed up and separately recorded on the Segment Balance Sheet of FDC. The Segment Balance Sheet is presented on the next page.

2. SEGMENT INFORMATION (continued)

Set out below is the Balance Sheet of FDC prepared in accordance with Australian Accounting Standards together with the adjustments required to arrive at the Segment Balance Sheet prepared on the alternative basis of presentation as reviewed by the CEO.

	Statutory basis	Recognise equity accounted investments at gross values	Segment balance sheet	Segment balance sheet
	31.12.14	31.12.14	31.12.14	30.06.14
	$m	$m	$m	$m
Current assets				
Cash assets and cash equivalents	66.0	-	66.0	57.3
Non-current assets classified as held for sale	134.5	-	134.5	95.3
Managed fund investments	3.5	-	3.5	3.5
Receivables and other assets	51.3	0.9	52.2	43.3
Total current assets	**255.3**	**0.9**	**256.2**	**199.4**
Non-current assets				
Investment property	4,715.3	-	4,715.3	4,299.2
Equity accounted investments	96.9	149.4	246.3	256.5
Managed fund investments	2.9	-	2.9	84.7
Intangible assets	199.7	-	199.7	199.7
Other non-current	123.0	(117.4)	5.6	5.9
Total non-current assets	**5,137.8**	**32.0**	**5,169.8**	**4,846.0**
Total assets	**5,393.1**	**32.9**	**5,426.0**	**5,045.4**
Current liabilities				
Interest bearing liabilities	554.9	-	554.9	33.0
Other current	229.1	-	229.1	232.2
Total current liabilities	**784.0**	**-**	**784.0**	**265.2**
Non-current liabilities				
Interest bearing liabilities	862.0	32.9	894.9	1,177.7
Other non-current	59.8	-	59.8	13.1
Total non-current liabilities	**921.8**	**32.9**	**954.7**	**1,190.8**
Total liabilities	**1,705.8**	**32.9**	**1,738.7**	**1,456.0**
Net assets	**3,687.3**	**-**	**3,687.3**	**3,589.4**

3. INVESTMENTS

	Note	Federation Limited and its Controlled Entities 31.12.14 $m	30.6.14 $m
Included in the Balance Sheet as:			
Non-current assets classified as held for sale [1]		134.5	95.3
Investments accounted for using the equity method	3(a)	96.9	106.0
Investment property	3(b)	4,715.3	4,613.1
Financial assets carried at fair value through profit or loss [2]		6.4	6.4
		4,953.1	**4,820.8**

(1) 31 December 2014 represents Mildura Central, Woodlands Village and Warrnambool North.

30 June 14 represents Somerville and Springwood.

(2) Comprises investments in external unlisted entities. $3.5 million (30 June 2014 - $3.5 million) of the investments carried at fair value through profit or loss are classified as current as these investments are expected to be realised within the next 12 months.

.

(a) Investments accounted for using the equity method

Investments in joint ventures

Joint ventures are those entities in relation to which the Group has a contractual arrangement that establishes joint control over the economic activities of the entity, based on standard market terms. These are accounted for in the Group's financial statements using the equity method and identified as investments accounted for using the equity method.

The Group holds the following investment properties that are equity accounted:

	% held	31.12.14 $m	30.6.14 $m
Tuggeranong Hyperdome	50%	32.8	46.6
Victoria Gardens Shopping Centre	50%	64.1	59.4
Closing balance		**96.9**	**106.0**

Movements for the year for investments accounted for using the equity method

	Notes	31.12.14 $m	31.12.13 $m
Opening balance at the beginning of the period		**106.0**	119.9
Share of net profits/(losses)		(9.1)	2.9
Distributions received		-	(3.3)
Additional investments made		-	1.2
Acquired during the period [1]		-	17.5
Transferred to investment properties	3(b)	-	(35.0)
Closing balance		**96.9**	**103.2**

(1) December 2013 amount relates to 50% interests in Emerald Market and Emerald Village.

3. INVESTMENTS (continued)

(b) Investment property

Investment properties held by FDC

Details of investment properties held by FDC are disclosed in the following table.

	FDC Interest	Shopping Centre Type	Valuation Type	Federation Limited and its Controlled Entities 31.12.14 $m	30.06.14 $m
Bankstown Central [1]	50%	Regional	Directors	302.5	297.5
Colonnades [1] [7]	50%	Regional	Directors	145.0	145.0
Galleria [1]	50%	Regional	Independent	357.5	347.5
Roselands [1]	50%	Regional	Directors	177.5	175.1
The Glen [1]	50%	Regional	Independent	218.1	215.8
Mount Ommaney [2] [1]	25%	Regional	Independent	104.1	-
Carlingford Court [1]	50%	Sub-regional	Independent	95.0	92.3
Cranbourne Park [1] [7]	50%	Sub-regional	Directors	62.8	62.8
Karingal Hub [1]	50%	Sub-regional	Directors	108.0	103.1
Karratha City [1]	50%	Sub-regional	Directors	55.0	53.7
Mandurah Forum [1]	50%	Sub-regional	Independent	152.5	141.5
Sunshine Marketplace [1]	50%	Sub-regional	Directors	51.5	48.8
Toormina Gardens [1]	50%	Sub-regional	Independent	39.0	35.5
Warriewood Square [1] [7]	50%	Sub-regional	Directors	75.0	75.0
Brandon Park [1]	50%	Sub-regional	Directors	58.1	115.8
West End Plaza	100%	Sub-regional	Directors	57.5	55.4
Armidale Central	100%	Sub-regional	Directors	43.0	41.5
Arndale Central [6]	n/a	n/a	n/a	-	152.5
Belmont Village	100%	Sub-regional	Independent	41.8	39.3
Box Hill Central	100%	Sub-regional	Directors	204.0	188.0
Buranda Village	100%	Sub-regional	Independent	35.0	34.8
Burnie Plaza	100%	Sub-regional	Independent	19.2	18.0
Goulburn Plaza	100%	Sub-regional	Independent	57.0	52.2
Gympie Central	100%	Sub-regional	Directors	72.0	70.0
Kurralta Central	100%	Sub-regional	Independent	34.6	34.5
Lavington Square	100%	Sub-regional	Independent	56.0	57.0
Maddington Central	100%	Sub-regional	Independent	105.0	100.0
Maitland Hunter Mall [7]	100%	Sub-regional	Directors	12.6	12.6
Mildura Central [3]	100%	Sub-regional	Directors	-	102.5
Mornington Central	100%	Sub-regional	Independent	61.5	61.5
Mount Gambier Central	100%	Sub-regional	Directors	29.0	29.0
Nepean Village	100%	Sub-regional	Independent	135.0	133.2
Taigum Square	100%	Sub-regional	Directors	88.0	86.2
Toombul	100%	Sub-regional	Independent	230.0	220.0
Tweed Mall	100%	Sub-regional	Independent	81.0	80.0
Warwick Grove	100%	Sub-regional	Independent	163.0	154.0
Warnbro Centre [5]	100%	Sub-regional	Independent	122.0	53.0
Westside Plaza	100%	Sub-regional	Directors	36.0	36.0
Whitsunday Central	100%	Sub-regional	Independent	57.0	53.0
Wodonga Plaza	100%	Sub-regional	Directors	47.0	47.0
Carried forward				**3,788.8**	**3,820.6**

Footnotes on page 20

3. INVESTMENTS (continued)

(b) Investment property (continued)

	FDC Interest	Shopping Centre Type	Valuation Type	Federation Limited and its Controlled Entities 31.12.14 $m	30.06.14 $m
Brought forward				**3,788.8**	**3,820.6**
Currambine Central [(2) (7)]	100%	Convenience	Directors	74.0	-
Halls Head Central [(1) (7)]	50%	Convenience	Directors	16.6	16.5
Lennox Village [(1)]	50%	Convenience	Independent	28.5	27.2
Bentons Square [(4)]	100%	Convenience	Independent	77.1	-
Emerald Village [(6)]	n/a	n/a	n/a	-	20.5
Emerald Market [(6)]	n/a	n/a	n/a	-	14.6
Albany Brooks Garden	100%	Convenience	Directors	25.0	25.0
Dianella Plaza	100%	Convenience	Independent	68.0	61.8
Flinders Square	100%	Convenience	Independent	29.8	28.3
Glenorchy Central	100%	Convenience	Directors	18.5	18.6
Goldfields Plaza	100%	Convenience	Directors	25.5	23.0
Hilton Plaza	100%	Convenience	Independent	19.4	18.4
Katherine Oasis	100%	Convenience	Directors	27.5	26.0
Kalamunda Central	100%	Convenience	Independent	33.8	30.0
Lutwyche City	100%	Convenience	Independent	57.3	56.2
Milton Village	100%	Convenience	Independent	20.3	20.0
Meadow Mews	100%	Convenience	Directors	44.0	41.5
Monier Village	100%	Convenience	Directors	18.0	17.0
North Shore Village	100%	Convenience	Independent	20.3	19.6
Oakleigh Central	100%	Convenience	Directors	49.0	46.5
Oxenford Village	100%	Convenience	Directors	26.0	24.5
Terrace Central	100%	Convenience	Directors	31.0	29.0
Stirlings Central	100%	Convenience	Independent	47.0	42.0
The Gateway	100%	Convenience	Independent	35.3	34.0
Victoria Park Central	100%	Convenience	Directors	24.0	22.2
Warrnambool North[(3)]	100%	Convenience	Directors	-	13.2
Woodlands Village[(3)]	100%	Convenience	Directors	-	12.2
Indooroopilly Central	100%	Bulky goods	Independent	54.0	51.0
				4,658.7	**4,559.4**
Development projects and construction in progress [(7)]					
Cranbourne Park [(1)]				34.9	15.5
Warnbro Centre [(5)]				-	29.6
Colonnades [(1)]				3.8	-
Currambine Central				4.9	-
Halls Head Central [(1)]				1.1	-
Maitland Hunter Mall				1.7	-
Warriewood Square [(1)]				2.7	-
Other development projects and construction in progress				7.5	8.6
				56.6	**53.7**
Total				**4,715.3**	**4,613.1**

Footnotes from pages 19 and 20:

(1) Asset jointly held with a strategic partner. Percentage ownership shown represents FDC's ownership.
(2) Acquired during the period.
(3) Transferred to Non-current assets classified as held for sale.
(4) FDC acquired 50% of Bentons Square during the period and has an option to acquire the remaining 50% in July 2016. Based on the terms of the agreements, the acquisition is accounted for as a 100% acquisition of the property on 20 October 2014, with a deferred settlement on the remaining 50%. The deferred settlement is recognised under Other financial liabilities.
(5) Development completed during the period.
(6) Disposed during the period.
(7) Investment properties under development are measured at the last fair value prior to commencement of the development plus development costs incurred to date

3. INVESTMENTS (continued)

(b) Investment property (continued)

Movements for the year of investment property

	Note	Federation Limited and its Controlled Entities 31.12.14 $m	31.12.13 $m
Opening balance		4,613.1	4,286.8
Acquisitions during the period		255.7	88.5
Stamp duty capitalised on acquisition		12.5	5.8
Disposals during the period		(245.4)	-
Transferred from equity accounted investments	3(a)	-	35.0
Transferred to non-current assets classified as held for sale		(134.5)	-
Capitalised interest		1.1	
Capital expenditure during the period		58.0	60.3
Property revaluation increment		165.2	66.5
Stamp duty written off on acquisitions		(12.5)	(5.9)
Straight-lining of rent adjustment		3.1	1.5
Tenant allowance amortisation		(1.0)	-
Closing balance		**4,715.3**	**4,538.5**

Fair value of investment property

Directors assess the fair value of property investments at each reporting period with a combination of independent and Directors' valuations. It is the policy of FDC that each property is independently valued by members of the Australian Property Institute at least once every year unless the property is held for development.

The Board of Directors of FDC reviews the valuations and determines that they are appropriate. The valuation method used in determining fair value is the income capitalisation approach. Fair value determined using this approach is compared against recent market transactions of similar properties, adjusted for any factors specific to the actual property, that have occurred during the period. An additional test using the discounted cash flow approach is performed to corroborate the fair value adopted.

Investment properties are categorised as Level 3 in the fair value hierarchy given the two key inputs into the capitalisation approach, being assessed market net income and the capitalisation rate are unobservable. Assessed market net income is based on market rental income for leasable space, less forecast property operating costs. The capitalisation rate is based on property return or yield expectations if the property was to be sold. The capital value calculated is then adjusted for forecast tenant allowances, incentives and capital expenditure in the next 12 months to arrive at the fair value of the property.

The fair value of investment properties calculated using the capitalisation approach is sensitive to changes in the capitalisation rates and market net income. A significant movement in each of these assumptions (together or in isolation) would result in a change in the fair value of the investment property.

The effect of a 10 bps increase in capitalisation rates, keeping all other inputs constant, will have the following impact on the FDC portfolio as at 31 December 2014:

Shopping Centre Type	Total value [1] $m	Weighted average cap rate	Effect of 10 bps increase in cap rate $m	Impact to NTA $
Regional	1,309.6	6.37%	20.3	0.01
Sub-regional	2,429.9	7.18%	33.7	0.02
Convenience and bulky goods	779.1	7.52%	10.3	0.01
Total portfolio [1]	**4,518.6**	**7.01%**	**64.3**	**0.04**

[1] Includes Tuggeranong Hyperdome and Victoria Gardens Shopping Centre. Excludes Cranbourne Park, Colonnades, Currambine Central, Halls Head Central, Maitland Hunter Mall and Warriewood Square, all of which are currently undergoing development. Excludes Mildura Central, Warrnambool North and Woodlands Village which have been valued based on the executed binding sales contract.

4. INTEREST BEARING LIABILITIES

	Federation Limited and its Controlled Entities	
	31.12.14 $m	30.06.14 $m
Bank loans	1,124.7	1,029.2
Australian Medium Term Notes	300.0	300.0
Deferred debt costs and discount on Notes issue [1]	(7.8)	(14.7)
Total interest bearing liabilities	**1,416.9**	**1,314.5**
Classified as follows		
Current [2]	554.9	136.7
Non-current	862.0	1,177.8

(1) Comprises the unamortised value of borrowing costs on establishment, refinance or restructure of debt facilities plus discounts arising on Notes issue. These costs are deferred on the Balance Sheet, and released to the Statement of Comprehensive Income using the effective interest rate method. The amortisation is included in borrowing costs.

(2) In the Merger financial considerations, the current debt is forecast to be refinanced.

(a) Financing arrangements

The Group has access to the following lines of credit:

	Federation Limited and its Controlled Entities	
	31.12.14 $m	30.06.14 $m
Total facilities available	1,705.0	1,992.9
Facilities utilised at the end of the year	1,424.7	1,329.2
Total facilities not utilised	**280.3**	**663.7**

(b) Borrowing costs

Borrowing costs incurred for the period were as follows:

	Federation Limited and its Controlled Entities	
	31.12.14 $m	31.12.13 $m
Interest expense	33.3	35.6
Amortisation of borrowing costs	1.6	2.4
Less: capitalised borrowing costs	(1.1)	(0.7)
	33.8	**37.3**

(c) Interest rate risk

The Group manages its cash flow interest rate risk exposure by using floating-to-fixed interest rate swaps. Under the terms of floating-to-fixed interest rate swaps, the Group agrees to exchange, at specified intervals (mainly monthly), the difference between fixed contract rates and floating rate interest amounts calculated by reference to an agreed notional principal amount.

As at the balance date, the Group had the following exposure to cash flow interest rate risk:

	Federation Limited and its Controlled Entities	
	31.12.14 $m	30.06.14 $m
Total interest bearing liabilities	1,416.9	1,314.4
Add: Deferred debt costs	7.8	14.8
Less: Fixed rate borrowings	(300.0)	(407.0)
Variable rate borrowings	1,124.7	922.2
Less: Related party loan receivables at variable rate	(117.4)	(117.4)
Exposure to cashflow interest rate risk before hedging activities	**1,007.3**	**804.8**
Less: Notional principal of interest rate swaps	(905.5)	(692.8)
Net exposure	**101.8**	**112.0**

Sensitivity to interest rates

A shift in the forward interest rate curve of +/- 25 bps, assuming the net exposure to cash flow interest rate risk as at 31 December 2014 remains unchanged for the next 12 months, will increase/decrease the Group's cash interest cost for the next 12 months by $0.3 million. This sensitivity analysis should not be considered a projection.

(d) Liquidity risk

FDC is exposed to liquidity risk primarily from its interest bearing liabilities. FDC actively manages this risk by maintaining sufficient capacity under its current facilities to meet the needs arising from the Board approved short term and medium term business strategy, securing and maintaining borrowing facilities from different sources (e.g. Banks, Australian and foreign capital markets), and reducing the amount of borrowings that mature or facilities that expire in any one year.

4. INTEREST BEARING LIABILITIES (continued)

(d) Liquidity risk (continued)

Table showing contractual maturities of borrowings excluding interest payments and interest rate swaps:

Federation Limited and its Controlled Entities

	< 1 year	1 to 3 years	> 3 years	Total	Carrying amount
	$m	$m	$m	$m	$m
Bank loans [1]	555.0	450.0	119.7	1,124.7	1,121.6
Australia Medium Term Notes [1]	-	-	300.0	300.0	295.3
Total contractual outflows	**555.0**	**450.0**	**419.7**	**1,424.7**	**1,416.9**

(1) The contractual cashflows of interest bearing liabilities excludes amortisation of deferred debt costs and discounts on Notes issue.

5. EARNINGS/(LOSS) PER SECURITY

Basic earnings/(loss) per security is calculated as net profit/(loss) attributable to securityholders divided by the weighted average number of securities outstanding. Diluted earnings per security is calculated as net profit attributable to securityholders divided by the weighted average number of securities outstanding adjusted for weighted average number of performance rights on issue to the extent that they are dilutive.

Diluted loss per security will equal basic earnings per security when the impact of performance rights on the loss per share is anti-dilutive.

The following net profit/(loss) amounts are used in the numerator in calculating earnings per security:

	31.12.14 $m	31.12.13 $m
Net loss attributable to securityholders of Federation Limited	(13.4)	(22.0)
Net profit attributable to securityholders of Federation Centres	235.9	248.7

The weighted average number of securities (WANS) used in the denominator is as follows:

	31.12.14 Number m	31.12.13 Number m
WANS used in calculation of basic earnings/(loss) per security	1,427.6	1,427.6
Adjusted for weighted average number of performance rights granted	9.2	6.5
WANS used in calculation of diluted earnings/(loss) per security	**1,436.8**	**1,434.1**

6. PUTTABLE INTEREST IN CONSOLIDATED FINITE LIFE TRUSTS

Puttable interests in consolidated finite life trusts represent those instruments that can be redeemed by the holder at the cessation of the trust and are essentially non-controlling interests in RDP syndicates consolidated by the Group.

(a) Movement for the current year comprises the following:

	31.12.14 $m	31.12.13 $m
Opening balance	**95.4**	**199.2**
Decrease in puttable interests arising from acquisition of additional units in consolidated RDP syndicates [1]	(102.8)	(66.3)
Net profit attributable to puttable interests	10.0	15.6
Distribution paid/payable to puttable interest	(2.6)	(4.8)
Closing balance	**-**	**143.7**

(1) During the period, FDC completed the wind up of the syndicate business by acquiring the remaining externally held interests in RDP 5, 6, 14 and 18 at the net asset values of the syndicate. There was no gain or loss recognised on these transactions.

7. EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

Merger of Novion and Federation Centres

On 3 February 2015, Novion and Federation Centres announced that they have entered into a Merger Implementation Agreement to merge subject to certain conditions (the Merger). Implementation of the Merger requires the approval by Novion securityholders of Novion schemes of arrangement, as well as other customary conditions including: court approval, regulatory approvals (including Foreign Investment Review Board) and an independent expert concluding the Merger is fair and reasonable to, and in the best interest of, Novion securityholders.

Further details of the transaction and impact on FDC are included in the detailed presentation lodged with the ASX.

Settlement of properties disposed

The settlement of Woodlands Village, disposed of for $11 million, successfully completed on 30 January 2015.

The settlement of Warrnambool North, disposed of for $13.7 million, successfully completed on 9 February 2015.

The settlement of Mildura Central, disposed of for $109.8 million, successfully completed on 12 February 2015.

Except for the matters discussed above, no other matter or circumstance has arisen in the interval between 31 December 2014 and the date hereof that has significantly affected or may significantly affect:

(i) the Group's operations in current and future financial years, or

(ii) the results of those operations in current and future financial years, or

(iii) the Group's state of affairs in current and future financial years.

Directors' Declaration

In the Directors' opinion:

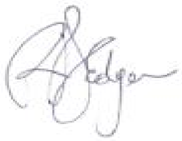
(a) the half-year financial statements and notes of Federation Centres (the Group) set out on pages 8 to 24 are in accordance with the *Corporations Act 2001*, including:

  (i) complying with Accounting Standards, the *Corporations Regulations 2001*, the Constitutions of the Trusts and other mandatory professional reporting requirements; and

  (ii) giving a true and fair view of the Group's financial position as at 31 December 2014 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the half-year ended on that date; and

(b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.



Bob Edgar

Chairman

Signed in Melbourne, 19 February 2015

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

To the members of Federation Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Federation Centres (the 'Group'), which comprises the balance sheets as at 31 December 2014, the statements of comprehensive income, statements of changes in equity and cash flow statements for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising Federation Limited (the 'Company') and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls that the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Federation Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the Company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Federation Centres is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the Group's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst & Young

David Shewring
Partner
Melbourne
19 February 2015

Appendix 4D

Half-year Report

Name of entity

Federation Centres comprising **Federation Limited and Federation Centres Trust No. 1**

ABN or equivalent company reference	Half yearly *(tick)*	Final *(tick)*	Half-year ended ('current period')
90 114 757 783	ü		**31 December 2014** (Previous corresponding half-year: 31 December 2013)

Results for announcement to the market

	31.12.14 $m	31.12.13 $m	% Change
Revenue	272.4	268.7	1.4
Net profit attributable to securityholders of Federation Centres	222.5	226.7	(1.9)
Underlying earnings [1]	129.0	118.8	8.6
Net tangible assets per security ($)	2.44	2.30	

Please refer to the Operating and Financial Review within the Directors' report for commentary on the results.

(1) Underlying earnings is a financial measure which represents the profit/(loss) under Australian Accounting Standards adjusted for certain unrealised and non-cash items, reserve transfers, capital transactions and other non-core items. The inclusion of underlying earnings as a measure of profitability of Federation Limited provides investors with the same basis that is used internally for evaluating operating segment performance. Underlying earnings is used by the Board to make strategic decisions and as a guide to assessing an appropriate distribution to declare. A reconciliation of Federation Limited's statutory profit/(loss) to underlying earnings is provided in Note 2 Segment Information of Federation Limited's 31 December 2014 Half-Year Financial Report.

Dividends (distributions)	Amount per security (distribution from the Trusts)	Amount per security (dividend from the Company)	Record date for determining entitlements to the dividend (in the case of a trust, distribution)
Interim distribution	8.4 cents	-	31 December 2014
Previous corresponding period	7.5 cents	-	31 December 2013

Control gained over entities having material effect

Name of entity (or group of entities)	N/A

Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) since the date in the current period on which control was acquired	N/A
Date from which such profit has been calculated	N/A
Profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the whole of the previous corresponding period	N/A

Loss of control of entities having material effect

Name of entity (or group of entities)	N/A

Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the current period to the date of loss of control	N/A
Date to which the profit (loss) has been calculated	N/A
Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) while controlled during the whole of the previous corresponding period	N/A
Contribution to consolidated profit (loss) from ordinary activities and extraordinary items from sale of interest leading to loss of control	N/A

Dividends (in the case of a trust, distributions)

Date the dividend (distribution) is payable	25 February 2015
Record date to determine entitlements to the dividend (distribution) (i.e., on the basis of proper instruments of transfer received by 5.00 pm if securities are not CHESS approved, or security holding balances established by 5.00 pm or such later time permitted by SCH Business Rules if securities are CHESS approved)	31 December 2014
If it is a final dividend, has it been declared?	N/A

Amount per security

	Amount per security	Franked amount per security at 30% tax	Amount per security of foreign source dividend
Interim dividend:			
Current year			
Distribution from Trust	8.4¢	-¢	-¢
Dividend from Company	-¢	-¢	-¢
Total distribution	8.4¢	-¢	-¢
Previous year			
Distribution from Trust	7.5¢	-¢	-¢
Dividend from Company	-¢	-¢	-¢
Total distribution	7.5¢	-¢	-¢

There are no dividend or distribution plans currently in operation.

Details of aggregate share of profits (losses) of associates and joint venture entities

Group's share of associates' and joint venture entities':	**Current period $m**	Previous period $m
Profit (loss) from ordinary activities before tax	(9.1)	2.9
Income tax on ordinary activities	**-**	**-**
Profit (loss) from ordinary activities after tax	**(9.1)**	**2.9**
Extraordinary items net of tax	**-**	**-**
Net profit (loss)	**(9.1)**	**2.9**
Adjustments	**-**	**-**
Share of net profit (loss) of associates and joint venture entities	**(9.1)**	**2.9**

Material interests in entities which are not controlled entities

The economic entity has an interest (that is material to it) in the following entities. *(Where the interest was acquired or disposed of during either the current or previous year, the date of acquisition ("from dd/mm/yy") or disposal ("to dd/mm/yy") is shown below.)*

a) Ownership Interests in Significant Associates accounted for using the equity method of accounting

Name of entity	Percentage of ownership interest held at end of period or date of disposal		Contribution to net profit (loss)	
	Current period	Previous corresponding period	**Current period**	Previous corresponding period
	%	%	**$m**	$m
Emerald Market[(1)]	**n/a**	50%	**-**	**(0.1)**
Emerald Village[(1)]	**n/a**	50%	**-**	**0.7**
Tuggeranong Hyperdome	**50%**	50%	**(13.8)**	**0.4**
Victoria Gardens Shopping Centre	**50%**	50%	**4.7**	**1.9**
			(9.1)	**2.9**

(1) Consolidated from 20 December 2013.

Compliance statement

This report is based on accounts to which one of the following applies.

(Tick one)

¨ The accounts have been audited.

þ The accounts have been subject to review

¨ The accounts are in the process of being audited or subject to review.

¨ The accounts have *not* yet been audited or reviewed

The entity has a formally constituted audit committee.

Sign here:

Date: 19 February 2015

Print name: Bob Edgar (Chairman)