Federation Centres[1]
Appendix 4E - Results for announcement to the market
For the year ended 30 June 2015

ASX Appendix 4E Reference		12 months to 30-Jun-15 $m	30-Jun-14[2] $m	Variance $m	%
2.1	Revenue from ordinary activities (excluding investment property and equity accounted investment revaluations)	894.7	763.9	130.8	
	Investment property revaluations	430.9	70.2	360.7	
	Share of equity accounted investment revaluations	2.8	0.6	2.2	
	Total revenue from ordinary activities	**1,328.4**	**834.7**	**493.7**	**59.1**
	Expenses from ordinary activities (excluding investment property and financial derivatives revaluations)	624.8	411.4	(213.4)	
	Financial derivatives revaluations	23.5	23.0	(0.5)	
	Total expenses from ordinary activities	**648.3**	**434.4**	**(213.9)**	**(49.2)**
	Income tax expense/(benefit)	5.0	0.2	(4.8)	(2,400.0)
2.2	Profit from ordinary activities after tax attributable to security holders of Federation Centres	**675.1**	**400.1**	**275.0**	**68.7**
2.3	Net profit attributable to security holders of Federation Centres	**675.1**	**400.1**	**275.0**	**68.7**

2.4/2.5	**Distribution per stapled security[3]**	**Cents**	**Record date**	**Payment date**
	Interim	8.40	31-Dec-14	25-Feb-15
	Final	8.50	30-Jun-15	27-Aug-15
	Total	**16.90**		

2.6 For explanation of figures in 2.1 to 2.4 refer to the following documents: 2015 Annual Results ASX Announcement and Presentation, and Financial Report for the year ended 30 June 2015.

Other information required under ASX Listing Rule 4.3A

Financial Report Cross Reference Index	Page(s)
Statement of comprehensive income (Rule 4.3A Item No. 3)	48
Statement of financial position (Rule 4.3A Item No. 4)	49-50
Statement of cash flows (Rule 4.3A Item No. 5)	52
Statement of changes in equity (Rule 4.3A Item No. 6)	51
Distributions (Rule 4.3A Item No. 7)	2.4/2.5 above
Distribution reinvestment plan (Rule 4.3A Item No. 8)	N/A
Net tangible assets per security (Rule 4.3A Item No. 9)	84
Details of entities over which control has been gained or lost during the year (Rule 4.3A Item No. 10)	57-58
Details of associates (Rule 4.3A Item No. 11)	70-71
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Other significant information (Rule 4.3A Item No. 12)	
Summary of significant accounting policies	53-56
Events occurring after the reporting date	92
Foreign entities (Rule 4.3A Item No. 13)	N/A
Commentary on results (Rule 4.3A Item No. 14)	2015 Annual Results ASX Announcement and Presentation

The information presented above is based upon the audited Financial Report for 30 June 2015 (Rule 4.3A Item No. 15). Refer to page 94 - Independent Auditor's Report.

Michelle Brady **Date: 19 August 2015**
Company Secretary

Notes

1. Federation Centres (FDC) comprises Federation Limited (ABN 90 114 757 783) and Federation Centres Trust No.1(ARSN 104 931 928).

2. Under accounting standards, the merger of Federation Centres and Novion Property Group is accounted for as a reverse acquisition and as a result, comparative information presented above are those of Novion Property Group and are consistent with those shown in the Federation Centres Financial Report for the year ended 30 June 2015. . Refer to Note 1(g) of the Financial Report for further details.

3. The distributions per stapled security information presented are those of Federation Centres (the legal entity). The franked amount per security for the year ended 30 June 2015 is 0.0 cents. Details of the full-year tax components of distributions will be provided in the Annual Tax Statements which will be sent to securityholders on 27 August 2015. The total distributions included in the statutory financial report represent Novion's 31 December 2014 distribution of $210.5 million and the Group's 30 June 2015 distribution of $336.5 million. Novion Trust's total distribution declared for the year was $422.8 million.

Financial Report for the year ended 30 June 2015

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.

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 financial report of Federation Centres for the year ended 30 June 2015. Federation Centres (or the Group) is a stapled group comprising Federation Limited (the Company) and Federation Centres Trust No. 1 (the Trust). Although separate entities, the Stapling Deed entered into by the Company and the Trust ensures that shares in the Company and units in the Trust are "stapled" together and are traded collectively on the Australian Securities Exchange, under the ASX code 'FDC'.

Directors

The Board of Directors of Federation Limited and Federation Centres Limited as Responsible Entity (RE) of Federation Centres Trust No. 1 (together, the Federation Board) consist of the majority of the same Directors[(1)]. The following persons were members of the Federation Limited Board from 1 July 2014 and up to the date of this report unless otherwise stated:

(i) Chairman

Peter Hay (Independent) (Chairman, appointed 11 June 2015)

Bob Edgar (Independent) (Chairman, resigned 11 June 2015)

(ii) Non-executive directors

Trevor Gerber (Independent) (appointed to Federation Centres Limited board 11 June 2015, appointed to Federation Limited board as alternate director 11 June 2015)[(1)]

Richard Haddock AM (Independent) (appointed 11 June 2015)

Tim Hammon (Independent)

Peter Kahan (appointed 11 June 2015)

Charles Macek (Independent)

Karen Penrose (Independent) (appointed 11 June 2015)

Debra Stirling (Independent) (resigned as Federation Limited director and appointed as alternate director 11 June 2015) [(1)]

Wai Tang (Independent)

David Thurin (appointed 11 June 2015)

Clive Appleton (Independent) (resigned 11 June 2015)

Fraser MacKenzie (Independent) (resigned 11 June 2015)

(iii) Executive directors

Angus McNaughton (appointed as Chief Executive Officer 3 August 2015) [(1)]

Steven Sewell (resigned from Federation Limited 11 June 2015, resigned from Federation Centres Limited 3 August 2015)

Information on the qualifications, experience and responsibilities of Directors are presented in the Directors' profiles on pages 10 to 13 of the Financial Report.

Company Secretary

Michelle Brady (appointed 11 June 2015)

Elizabeth Hourigan (resigned 11 June 2015)

Principal activities

The Group has its principal place of business at Level 28, 35 Collins Street, Melbourne, Victoria 3000.

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

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1 The Federation Limited constitution contains a limit on the maximum number of directors being eight. Given this limit, Mr Trevor Gerber and Ms Debra Stirling were appointed to the Federation Limited board as alternate directors from 11 June 2015. Mr Gerber and Ms Stirling are directors of Federation Centres Limited. The Federation Board intends to appoint Angus McNaughton as Managing Director of Federation Limited immediately after the Company's 2015 Annual General Meeting.

Significant matters

(a) Merger of Federation Centres and Novion Property Group

On 11 June 2015, Federation Centres (Federation) and Novion Property Group (Novion) merged to create one of Australia's leading Real Estate Investment Trusts (the Merger). Under the terms of the Merger, each Novion Security was exchanged for 0.8225 Federation Securities (the Merger ratio), resulting in Federation as the legal acquirer and Novion as the legal acquiree. However, under accounting standards(2), the transaction is accounted for as a reverse acquisition and Novion is identified as the accounting acquirer and Federation is the accounting acquiree. As such, the consolidated financial statements represent a continuation of the financial statements of Novion and reflect a full year of Novion results plus Federation Group's results from the date of accounting acquisition, being 29 May 2015. Refer to Note 1(g) for further details. The impact of the reverse acquisition accounting on the financial statements is explained in the table below:

	30.06.15	**30.06.14**
Financial report information		
Statement of Comprehensive Income	1 month Federation + 12 months Novion	12 months Novion only
Balance Sheet comprises	Federation + Novion	Novion only
Statement of Changes in Equity Cash Flow Statement	1 month Federation + 12 months Novion	12 months Novion only
Number of securities on issue at the end of the year	Federation	Novion securities retrospectively adjusted based on Merger ratio
Weighted average number of securities on issue calculated as:	11 months of Novion securities retrospectively adjusted based on Merger ratio plus 1 month of Federation securities (Refer Note 13)	Novion securities retrospectively adjusted based on Merger ratio (Refer Note 13)
Directors' report information		
Aggregated Underlying Earnings	12 months Federation + 12 months Novion	12 months Federation + 12 months Novion
Aggregated summarised balance sheet	Federation + Novion	Federation + Novion
Remuneration Report		
Key Management Personnel (KMP) for Remuneration Reporting	Federation	Federation
KMP for accounting (refer to Note 15)	Novion- pre-merger Federation- post-merger (Refer to Note 1(g)(vii))	Novion only

The merger of Federation and Novion was effected via a scrip for scrip transaction of $4.2 billion and increased the Group's net assets from $6.4 billion to $10.6 billion. Refer to Note 2 and the summarised aggregated balance sheet for further details.

2 AASB 3 Business Combinations.

(b) Financing activities

The following outlines the refinancing activities undertaken by the Group during the year primarily as a result of the Merger.

i. Bank loans

All existing Federation and Novion bank loans were refinanced in June 2015 and new bank facilities of $5.1 billion were entered into by the Group. These new financing arrangements comprise:

- $3.3 billion of unsecured bank loan facilities with maturities ranging from 2-5 years; and
- a $1.8 billion unsecured bridge facility for 12 months with an option to extend for a further period of up to 12 months at the Group's election.

ii. US MTNs

In September 2014, Novion issued $US200 million of US Medium Term Notes (US MTNs), which were converted into Australian currency of $228.4 million. The proceeds were initially used to repay $100 million of Australian Medium Term Notes which expired in December 2014 and the remaining proceeds were used to repay bank debt. Expiry of these US MTNs ranges from December 2025 to December 2029.

The Merger triggered a "change of control" event resulting in the right (exercisable until 21 July 2015) for all Novion US MTNs investors to redeem their notes at par plus accrued interest. Accordingly, the US MTNs have been classified as current in these financial statements. However, by 21 July 2015, only $6.3 million ($US6.0 million) of redemption notices were received. The remaining US MTNs have contractual maturity dates ranging from 2017 to 2029.

iii. Convertible notes

Prior to the Merger, Novion repaid $92.3 million of convertible notes on their final maturity of 21 August 2014.

The change of control event also triggered a conversion mechanism for Novion's remaining convertible notes. Novion was required under the convertible note terms to exercise a cash settlement option in respect of any conversion notices received during the change of control event period. The Group will continue to exercise the cash settlement option for any conversion notices received thereafter.

The change in control event resulted in principal repayments of $46.6 million in June 2015. At the date of this report additional conversion notices had been received allowing the Group to repay or compulsorily convert all remaining convertible notes.

(c) Change of corporate name

On 17 June 2015, the Group announced its intention to rebrand as Vicinity Centres and to change the name of Federation Limited to Vicinity Limited. The Notice of Meeting for the Group's Annual General Meeting to be held on the 28 October 2015 will provide further details for securityholders and seek their approval for the change of name.

Distributions

Total distributions declared by Federation for the financial year ended 30 June 2015 and 30 June 2014 are as follows:

Distributions for the year ended 30 June 2015	Federation $ million	Cents per Security
Distribution declared - 31 December 2014	119.9	8.4
Distribution declared - 30 June 2015	336.5	8.5
Total distributions declared	**456.4**	**16.9**
Distributions declared for the year ended 30 June 2014[1]	224.1	15.7

(1) Includes a 0.4 cents distribution declared in August 2014 relating to 30 June 2014.

Novion distributions

The total distributions included in the statutory financial report represent Novion's 31 December 2014 distribution of $210.5 million and the Group's 30 June 2015 distribution of $336.5 million. Novion Trust's total distribution declared for the year was $422.8 million.

Operating and Financial Review

Federation is one of Australia's leading retail property groups with a fully integrated funds and asset management platform. Following the implementation of the Merger in June 2015, the Group has over $22 billion of shopping centres under management diversified by retail asset type, geographic location and tenant mix. The Group is the second largest listed manager of Australian retail assets and a top-10 listed manager of retail assets globally.

As a result of the Merger the Group has the following key attributes:

- investment properties of $14.1 billion across the full spectrum of retail assets from Super Regional to Neighbourhood shopping centres;
- a strategic partnerships business with $8.4 billion of assets under management which provides revenue from asset and funds management services;
- the ability to access a broad range of funding sources and tenor including greater access to offshore debt markets;
- a top-30 entity on the ASX and the third largest Australian Real Estate Investment Trust (A-REIT), providing significant relevance to equity investors;
- strong retailer relationships with more than 9,700 leases managed across 99 retail assets around Australia, including being the largest landlord to Wesfarmers Limited and Woolworths Limited;
- the Group continues to focus on portfolio quality and performance of its shopping centres;
- the Group currently has a $3.1 billion development pipeline and an ability to stage delivery of redevelopment projects and manage the timing of capital deployment and development returns throughout the cycle; and
- greater economies of scale which have the potential to drive cost savings and other synergies through Group-wide procurement and technology platforms.

Invested across the full retail asset spectrum, 93% of revenue generated in FY15 was from underlying rental income derived from the Group's portfolio of investment properties (Direct Portfolio). The Group also derives revenue from providing asset management services to its co-owners and other third parties, as well as from providing asset and funds management services to wholesale funds.

To maximise sales productivity across the portfolio, the Group responds to changing consumer and retail trends on an ongoing basis through remixing tenancies, undertaking centre refurbishments and redevelopments, together with collaborating proactively with retailers. The introduction of lifestyle and entertainment offerings to further enhance the appeal of our centres has also encouraged greater consumer visitation. The Group's active approach to asset management not only supports increasing retailer sales but also assists in maximising occupancy and centre income, with retailers more likely to stay in-situ on lease expiry and increasing each centre's ability to compete with and embrace changing consumer preferences, competition and online retail.

(a) Business strategy

The Merger of Federation and Novion was a transformational corporate transaction creating one of Australia's leading Real Estate Investment Trusts with significant scale and relevance. As the Merger was the combination of two highly-complementary platforms, the Group's core operations are largely in line with that of each business pre-Merger, and remain focused on the ownership, management and redevelopment of Australian retail real estate. The Group's vision is to deliver the leading retail property and lifestyle experience in Australia.

The key areas of the Group's strategic focus have been outlined below:

- Retail real estate
  - Fully integrated platform focused on the ownership and management of Australian retail real estate.
  - Own, manage and develop assets across the full retail asset spectrum – Super Regional to Neighbourhood shopping centres.
  - Invest in retail assets with stable yields, highly predictable cash flows and income returns.
- Operational excellence
  - Optimise asset returns via superior operational management.
  - Maintain efficient and effective systems and processes (including a fully integrated technology platform) with a sustained focus on continuous improvement.
  - Attract, develop and retain the best talent.

(a) Business strategy (continued)

- Portfolio enhancement
  - Deliver on strategic asset plans through redevelopment, refurbishment and tenancy remixing opportunities.
  - Strategic portfolio management through divestment of non-core assets and targeted acquisitions.
  - Continually seek to optimise retailer mix and customer offering.
- Strategic partnerships
  - Focus on retail sector partnerships.
  - Enhance existing relationships across wholesale funds, mandates and partners.
  - Establish new product and long-term relationships including new institutional investment partners and technology partners.
- Balance sheet strength
  - Prudent capital management – target gearing range of 25% to 35%.
  - Maintain appropriate liquidity and a diversified debt maturity profile (by source and tenor).
  - Maintain a strong investment grade credit rating.

(b) Operational performance

The following section on operational performance focuses on the performance of the 88 assets in the Direct Portfolio.

Net property income

The portfolio achieved 2.5% growth in net property income on a comparable basis for the year ended 30 June 2015. This growth was achieved through active management of the portfolio, fixed annual percentage increases for retailers on ongoing leases and an active focus on cost control by management.

Retail sales

Retail sales directly impact retailers' profitability and ability to pay rent. Consequently, retail sales performance can be a leading indicator for leasing spreads (change in rent on the expiry of a lease). The portfolio recorded annual sales growth of 1.3% for the year ended 30 June 2015. Overall sales were impacted by ongoing weak sales growth in the department and discount department store categories. However, specialty retailers, which provide approximately 56% of net property income, reported rising rates of sales growth. Portfolio growth of 3.3% on a moving annual turnover basis for the specialty category was primarily driven by retailers in the retail services, mobile phones and general retail categories.

Leasing results

The Group has over 9,700 leases across a managed portfolio of 99 assets (88 Direct Portfolio and 11 under management only), which is diversified by geography and centre type.

Across the Direct Portfolio, 1,871 leasing deals were completed during the year, with average leasing spreads of -2.2%.

The Direct Portfolio has a weighted average lease expiry profile (by area) of 5.6 years (8.1 years for majors, and 3.3 years for specialty retailers and other tenants) with over 64% of leases due to expire (by income) in FY18 or later.

Development

During the year, two major redevelopments were completed. The Emporium Melbourne development, which completed in August 2014, created a new regional specialty-based shopping centre in the centre of Melbourne's CBD and is one of Australia's pre-eminent retail destinations. The Group also completed a $39 million redevelopment of Warnbro Centre in WA which opened in September 2014 and opened the first stage of the Cranbourne Park redevelopment in March 2015.

The Group also has a development pipeline of approximately $3.1 billion, of which $1.5 billion represents the Direct Portfolio interest. Current projects include the $622 million ($311 million direct share) retail and office development at Chadstone Shopping Centre, which continues to progress on schedule. The office project is due to complete in mid 2016 and the expanded centre is expected to be completed in 2017. Stage 1 of the $110 million Cranbourne Park redevelopment opened in March 2015 with stage 2 scheduled for completion in September 2015. Projects currently under construction also include Halls Head in WA ($52 million), Warriewood in NSW ($87 million) and Colonnades in SA ($51 million). Significant progress has been made on other major projects with development approvals being received for both Mandurah in WA and The Glen in VIC. Roselands in NSW is well advanced and a development application is expected to be lodged shortly.

(c) Financial performance

The statutory result for the year ended 30 June 2015 is a net profit after tax of $675.1 million. As outlined in Note 1 (g), the Merger has been accounted for as a reverse acquisition and consequently, the statutory results of the Group comprises 12 months of Novion and 1 month of Federation as required by accounting standards. The underlying earnings of the aggregated group, representing 12 months of Novion and 12 months of Federation was $683.1 million and is illustrated in the aggregated underlying earnings analysis presented below.

Aggregated Underlying Earnings

To assist the interpretation of the underlying performance of the Group for the full year ended 30 June 2015, a set of aggregated results has been presented in the table below which reflects the underlying earnings of the Group had the Merger transaction occurred on 1 July 2014.

	Federation 12 months to 30.06.15 $m	Novion 12 months to 30.06.15 $m	Aggregated Group(1) 12 months to 30.06.15 $m	Aggregated Group(1) 12 months to 30.06.14 $m
Net property income	346.6	581.6	928.2	863.3
Property management, development and leasing fees	13.4	40.6	54.0	26.3
Wholesale funds management fees	2.2	11.5	13.7	8.0
Other income	-	-	-	9.2
Total income	**362.2**	**633.7**	**995.9**	**906.8**
Corporate overheads (net of recoveries)	(39.6)	(64.3)	(103.9)	(93.6)
Net interest expense	(61.2)	(144.5)	(205.7)	(167.6)
Other expenses	(1.5)	(1.7)	(3.2)	(2.2)
Underlying earnings	**259.9**	**423.2**	**683.1**	**643.4**

(1) Current year and comparative aggregate Merged Group results for the 12 months have been calculated by combining the underlying earnings for Federation and Novion for the year ended 30 June 2015 and 30 June 2014. No adjustments for the Merger have been made to determine the aggregated current year or prior year results. A reconciliation from underlying earnings to statutory profit is provided at Note 3 of the financial statements.

The aggregate net property income from Federation and Novion has risen over the period by $64.9 million (7.5%). The increase primarily reflects the completion of major developments at DFO Homebush in March 2014 and Emporium Melbourne in August 2014. On a like for like basis, net property income was up 2.5% as a result of specialty store leases having generally fixed increases averaging 4% to 5% for static tenants, partially offset by rents reducing by 2.2% for expiring specialty stores and remaining relatively unchanged for major tenants.

The aggregate net interest expense for the year for Federation and Novion reflects an increase of $38.1 million, primarily driven by cessation of capitalising interest on completed major developments.

The aggregate strategic partnership income increased by $33.4 million compared to the prior period. This increase in revenue was offset by an increase in overhead expenses of $10.3 million. This reflects the impact of Novion’s internalisation of management in the prior period, resulting in a diversified revenue stream and the replacement of external management fees with an internalised cost structure.

(d) Financial position

Merged Group summarised balance sheet

The balance sheet position presented in the financial report as at 30 June 2015 represents the combined balance sheet of Federation and Novion. The prior year balance sheet contained within the financial report is Novion only. To assist securityholders, an aggregated[(1)] balance sheet has been prepared for comparison purposes in the table below:

	Merged Group 30.06.15 $m	Aggregate Merged[(1)] Group 30.06.14 $m
Cash	107.4	156.0
Investment property	14,109.7	13,443.5
Intangible Assets	891.4	563.6
Other assets	529.4	548.5
Total Assets	**15,637.9**	**14,711.6**
Borrowings	4,303.1	4,218.6
Other liabilities	739.2	801.9
Total liabilities	**5,042.3**	**5,020.5**
Net assets	**10,595.6**	**9,691.1**
Net Tangible Asset (NTA) per security[(2)](cents)	**2.45**	**2.33**
Net Asset Value (NAV) per security[(2)](cents)	**2.68**	**2.48**

(1) The comparative aggregate Merged Group balance sheet has been calculated by combining the financial position of Federation and Novion as at 30 June 2014. No adjustments for the Merger have been made to determine the aggregated balance sheet.

(2) The number of securities used to calculate NTA per security and NAV per security for 30 June 2015 is 3.959 billion (30 June 2014: 3.910 billion), being the outstanding securities of the Merged Group as at 30 June 2015.

The highlights of the Group's financial position based on the summarised balance sheet at 30 June 2015 include:

- Total investment property of $14.1 billion, an increase of $666.2 million on the aggregate balance sheet at 30 June 2014. This increase is primarily driven by the combined property revaluations for the year, major developments spend including projects at Chadstone Shopping Centre and Cranbourne Park and property acquisitions offset by property disposals;
- Total assets of $15.6 billion, an increase of $926.3 million on the aggregate balance sheet at 30 June 2014. This increase is a result of the underlying increase in investment property values as well as an increase in intangible assets arising from the Merger (refer Note 2);
- Net assets of $10.6 billion (NAV of $2.68 per security) and net tangible assets of $9.7 billion (NTA of $2.45 per security); and
- Group gearing at 30 June 2015 of 28.0%[(3)].

[3] Calculated as drawn debt at Note 9 (a), net of cash divided by total tangible assets excluding cash and derivative financial assets

(e) Business prospects

Key focus areas for the Group for the 2016 financial year are as follows:

- Deliver forecast cost synergies, identify new cost and revenue opportunities to drive growth;
- Significantly progress integration including:
    - Establish new Vicinity Centres culture and integrate people, processes and systems
    - Co-location of corporate teams
    - Integrate IT platforms
- Progress extensive development pipeline and advance new opportunities;
- Refinancing of bridge facility;
- Progress digital strategy;
- Recycling of assets to improve portfolio quality;
- Consider wholesale fund opportunities; and
- Intensive asset management focus across portfolio.

Over the next financial year, the extraction of the benefits and operational synergies of the Merger, including the integration of systems and processes, will be a priority for the Group. Further, the Group will continue to enhance the performance of the managed portfolio through redevelopment.

The Group expects underlying earnings[4] per share to be in the range of 18.8 to 19.1 cents per security for the 2016 financial year, subject to no unforeseen deterioration of economic conditions or further asset sales. This guidance assumes the sale of five[5] assets announced subsequent to 30 June 2015 which reduced underlying earnings per share guidance by approximately 0.3 cents per security. The Group's payout ratio is expected to be 90% to 95% of underlying earnings.

(f) Risk management

The Board and management recognise that effective risk management and internal controls are an integral part of sound management practice and good corporate governance.

Throughout the reporting period, the Group had in place a risk management framework and system of internal controls to ensure that assets are protected and that material risks are proactively identified, managed and reported. Both Federation and Novion undertook a review of their respective risk management frameworks in the reporting period prior to the Merger.

The Group has dedicated Risk and Compliance teams that are responsible for reviewing and monitoring the efficiency of compliance and risk management systems on an ongoing basis and ensuring that appropriate compliance and risk mitigation measures are in place.

The material risks that could affect the Group's achievement of the business prospects noted above include:

Merger integration

The sustainable success of the Group will depend, amongst other things, on the success of management in merging and integrating the businesses including the development of a strong culture and retention of key personnel. If the integration is not achieved in an orderly manner and within the assumptions reported to the market, the full benefits, expected cost savings and efficiencies may be achieved only in part. To manage these risks, a team of senior leaders from different areas of the Group has been established to oversee the integration. This team reports to a steering committee of the Executive Committee and to the Board on a regular basis.

Developments

The Group has a number of current and future development projects. The Group's financial performance will depend in part on the ability to commence and deliver projects on time, budget, to quality and within scope. At the same time, these development projects will potentially expose the Group to higher environmental and social risks. The Group has governance structures in place to ensure appropriate due diligence and feasibility studies are undertaken for all potential development projects. Dedicated development teams are also in place to oversee projects and ensure community expectations are identified and addressed in the design and delivery of projects.

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4 Effective 1 July 2015, underlying earnings will exclude the amortisation of non-project lease incentives and include rent lost from undertaking developments. This measure will be used by management to assess the underlying financial performance of the Group. It represents the Group's underlying and recurring earnings from ordinary operations.

5 Goulburn Plaza, Lutwyche City, Katherine Oasis, Mount Gambier Central and Westside Plaza

(f) Risk management (continued)

Centre performance

The majority of the Group's earnings will be derived from rental income. The Group's performance will depend on minimising tenant default and on its ability to continue to lease space in its portfolio (including redeveloped retail assets) on market terms. Poor relative performance of the Group's shopping centres could be caused by changes in shopping preferences, improved competition, online retail and other changes in the retail model leading to reduced demand by retailers for physical space, poor tenant mix or deteriorating amenity. This could result in reduced customer traffic and retail sales, leading to a decline in rental income and financial performance. These risks are mitigated by the Group reviewing its shopping centres and external trends on an ongoing basis to identify opportunities to redevelop centres or refine tenant mix to enhance the overall appeal of the shopping centres and satisfy the wants and needs of both retailers and consumers. In addition, the Group has a strong emphasis on tenant service and assisting tenant performance, together with robust debtor management.

Health and Safety

Managing health and safety to provide safe environments is of paramount importance. The Group has a Work Health and Safety Management System, including monitoring, assurance and governance processes to ensure safety risks are managed and legislative requirements are met. The Group's Risk and Compliance Committee together with management oversee the Group's safety systems. Many people, including shopping centre customers, employees, contractors and tenants work within or visit the shopping centres, including centres that are under development, and the Group's offices. This exposes people to the risk of incidents, illness and injuries. A safety incident could also affect the Group's reputation, expose it to claims for financial compensation or have regulatory consequences.

Funding and Interest Rates

The Group uses debt as an important source of funding for its property portfolio and balance sheet. This exposes the Group to risks associated with interest rate movements on floating rate borrowings, foreign exchange risk for borrowings denominated in foreign currency and funding risks. Funding and interest rate risk is managed through an active capital management strategy, ensuring diversity of funding by source and duration and implementing a Board approved hedging profile to minimise the impact of interest rate and foreign currency movements. The Group maintains a strong balance sheet and credit rating from Standard & Poor's of A- with a targeted gearing range between 25%-35%.

Co-ownership of properties

A number of properties in the Group's portfolio are held through joint ventures or co-ownership arrangements, where the Group may not have exclusive control over certain aspects of leasing, management or development decisions. This creates the potential where the interests of the Group may not always be aligned with those of the joint venture partners or co-owners. The Group has governance structures in place to ensure appropriate due diligence of potential joint ventures and co-ownership arrangements are undertaken and that clearly defined contracts are put in place when proceeding into an arrangement with a co-owner. The Group also has a focus on maintaining strong, positive relationships with co-owners.

Environmental regulation

The Group is subject to the reporting obligations under the National Greenhouse and Energy Reporting (NGER) Act 2007. This Act requires the Group to report annual greenhouse gas emissions, energy use and production for all assets under management for years ending 30 June. The Group met this obligation during 2015 financial year by submitting its NGER report to the Department of the Environment for the year ended 30 June 2014 by 31 October 2014. The Group monitors its other environmental legal obligations and is compliant for the reporting period.

Events occurring after the end of the reporting period

On 3 August 2015 Steven Sewell ceased his role as Chief Executive Officer and as a Director of the Federation Centres Limited and Angus McNaughton was appointed to the position of Chief Executive Officer of the Group.

Furthermore, subsequent to 30 June 2015, the Group has entered into a number of sale contracts to sell the following properties held by the Group, some of which remain conditional at the date of this report:

- Lutwyche City for a sale price of $65.0 million which is conditional upon the purchaser receiving approval from the Foreign Investment Review Board;
- Katherine Oasis and Goulburn Plaza for a combined sale price of $94.9 million with an expected settlement date in August 2015;
- Mount Gambier Central for a sale price of $24.5 million which is conditional upon the execution of certain lease contracts; and
- Westside Plaza for a sale price of $33.7 million with an expected settlement date in August 2015.

There are no other material events occurring after the reporting date other than those already disclosed throughout this report.

Our Board

Peter Hay (LLB, FAICD) - Chairman, Independent Non-executive Director

Appointed to Federation Board June 2015

Background and Experience

Peter Hay has a strong background and breadth of experience in business, corporate governance, finance and investment banking advisory work, with a particular expertise in relation to mergers and acquisitions. Mr Hay was a partner of the legal firm Freehills until 2005, where he served as Chief Executive Officer from 2000. Mr Hay has also had significant involvement in advising governments and government-owned enterprises.

Mr Hay is Chairman of the Nomination Committee.

Current Directorships, Executive Positions and Advisory Roles

Chairman: Newcrest Mining Limited and Australian Institute of Company Directors.

Member: Australian Government Takeovers Panel and AICD Corporate Governance Committee.

Past Non-executive Directorships (past three years)

GUD Holdings Limited, Novion Limited, Alumina Limited, Australia and New Zealand Banking Group Limited, NBN Co Limited and Myer Holdings Limited.

Trevor Gerber (BACC, CA, SA) - Independent Non-executive Director

Appointed to Federation Board June 2015

Background and Experience

Trevor Gerber worked for 14 years at Westfield, initially as Group Treasurer and subsequently as Director of Funds Management responsible for Westfield Trust and Westfield America Trust. He has been a professional director since 2000, and has experience in property, funds management, hotels and tourism, infrastructure and aquaculture.

Mr Gerber is a member of the Audit Committee and a member of the Remuneration and HR Committee.

Current Directorships, Executive Positions and Advisory Roles

Chairman: Sydney Airport Holdings.

Director: Cimic Group Limited, Tassal Group and Regis Healthcare Limited..

Member: Institute of Chartered Accountants.

Past Non-executive Directorships (past three years)

Novion Limited.

Richard Haddock AM (BA, LLB, FAICD) - Independent Non-executive Director

Appointed to Federation Board June 2015

Background and Experience

Richard Haddock has had a long career in financial services and was Deputy General Manager, Australia at BNP Paribas, Sydney from 1988 to 2001.

Mr Haddock is a member of the Audit Committee and the Risk & Compliance Committee.

Current Directorships, Executive Positions and Advisory Roles

Chairman: Catholic Care, Australian Catholic Superannuation and Retirement Fund and St Vincent's Curran Foundation.

Director: Retirement Villages Group Ltd and CCI Limited.

Fellow: Australian Institute of Management and Financial Services Institute of Australia and Australian Institute of Company Directors.

Past Non-executive Directorships (past three years)

Novion Limited, Tishman Speyer Australia Limited.

Tim Hammon (BCom, LLB) - Independent Non-executive Director

Appointed to Federation Board December 2011

Background and Experience

Tim Hammon has extensive wealth management, property services and legal experience. He is currently Chief Executive Officer of Mutual Trust Pty Limited and previously worked for Coles Myer Ltd in a range of roles including Chief Officer, Corporate and Property Services with responsibility for property development and leasing and corporate strategy. He was also Managing Partner of various offices of Mallesons Stephen Jaques.

Mr Hammon is the Chair of the Risk and Compliance Committee, a member of the Remuneration and HR Committee and the Nomination Committee. He also sits on the Compliance Committee of Retail Responsible Entity Limited, the Responsible Entity that has responsibility for Retail Direct Property managed funds.

Current Directorships, Executive Positions and Advisory Roles

Mr Hammon is Chief Executive Officer of Mutual Trust Pty Limited.

Past Non-executive Directorships (past three years)

None.

Peter Kahan (BCOMM, BACC) - Non-executive Director

Appointed to Federation Board June 2015

Background and Experience

Peter Kahan has a long career in property funds management, with prior roles including Chief Executive Officer and Finance Director of Gandel Group. Mr Kahan was the Finance Director of Gandel Group at the time of the merger between Gandel Retail Trust and Colonial First State Retail Property Trust in 2002. Prior to joining Gandel Group in 1994, Mr Kahan worked as a Chartered Accountant and held several senior financial roles across a variety of industry sectors.

Mr Kahan is a member of the Audit Committee and a member of the Remuneration & HR Committee and the Nomination Committee.

Current Directorships, Executive Positions and Advisory Roles

Director: Charter Hall Group.

Executive Deputy Chairman: The Gandel Group Pty Limited.

Member: Institute of Chartered Accountants and Australian Institute of Company Directors.

Past Non-executive Directorships (past three years)

Novion Limited.

Charles Macek (BEc, M.Admin, FAICD, FCA, FCPA, SF Fin) - Independent Non-executive Director

Appointed to Federation Board December 2011

Background and Experience

Charles Macek has extensive executive experience in the finance industry in Australia, New Zealand, the United Kingdom and Japan. He has held numerous senior positions and directorships in a range of public companies including Telstra and is a former Director and Chairman of IOOF, former Chairman of the Financial Reporting Council and former Vice Chairman of the International Financial Reporting Standards Advisory Committee.

Mr Macek is Chair of the Remuneration and HR Committee and a member of the Nomination Committee.

Current Directorships, Executive Positions and Advisory Roles

Chairman: Earthwatch Institute Australia and Sustainable Investment Research Institute Pty Ltd.

Member: Investment Committee of UniSuper Ltd.

Past Non-executive Directorships (past three years)

Wesfarmers Ltd.

Karen Penrose (B.Comm (UNSW), CPA, GAICD) - Independent Non-executive Director

Appointed to Federation Board June 2015

Background and Experience

Karen Penrose has a strong background and experience in business, finance and investment banking, in both the banking and corporate sectors. Her prior executive career includes 20 years with Commonwealth Bank and HSBC and, over the eight years to January 2014, Chief Financial Officer and Chief Operating Officer roles with two ASX listed companies.

Ms Penrose is Chairman of the Audit Committee and a member of the Risk & Compliance Committee.

Current Directorships

Director: AWE Limited, Spark Infrastructure Group, Future Generation Global Investment Company Limited, UrbanGrowth NSW and Marshall Investments Pty Ltd

Past Non-executive Directorships (past three years)

Novion Limited, Silver Chef Limited

Debra Stirling (BA, GAICD) - Independent Non-executive Director

Appointed to Federation Board December 2011

Background and Experience

Debra Stirling has more than 20 years' experience as a senior executive in retailing, building and construction materials, manufacturing and mining and agriculture. Ms Stirling was Executive General Manager of People and Communications for Newcrest Mining Limited from January 2008 to July 2014. She has previously held executive roles with Rinker Group, CSR and Coles Myer.

Ms Stirling is a member of the Remuneration and HR Committee and the Risk and Compliance Committee.

Current Directorships, Executive Positions and Advisory Roles

Member: Monash University Mining Advisory Board and the PNG Government's Lae Technical Training Centre of Excellence Taskforce.

Past Non-executive Directorships (past three years)

None.

Wai Tang (BAppSc, MBA, GAICD) - Independent Non-executive Director

Appointed to Federation Board May 2014

Background and Experience

Wai Tang has extensive retail industry experience and knowledge gained through senior executive and board roles. Her former senior executive roles included Operations Director for Just Group and Chief Executive Officer of the Just Group sleepwear business, Peter Alexander. Prior to joining the Just Group, she was General Manager of Business Development for Pacific Brands. She was also the co-founder of the Happy Lab retail confectionery concept.

Ms Tang is a member of the Audit Committee and the Risk and Compliance Committee.

Current Directorships, Executive Positions and Advisory Roles

Director: Kikki K and the Melbourne Festival.

Past Non-executive Directorships (past three years)

Specialty Fashion Group, L'Oréal Melbourne Fashion Festival

David Thurin (MBBS, DIP RACOG, FRACGP, MS in Management) - Non-executive Director

Appointed to Federation Board June 2015

Background and Experience

David Thurin has had extensive experience in the property industry that includes senior roles within The Gandel Group and associated companies including being the Joint Managing Director. Dr Thurin was a Director of The Gandel Group at the time of the merger between Gandel Retail Trust and Colonial First State Retail Property Trust in 2002. Dr Thurin is the Managing Director and founder of Tigcorp Pty Ltd, which has property interests in retirement villages and land subdivision. He has a background in medicine, having been in private practice for over a decade, and was a prior President of the International Diabetes Institute.

Dr Thurin is a member of the Risk and Compliance Committee.

Current Directorships, Executive Positions and Advisory Roles

Director: Tigcorp Pty Ltd, Melbourne Football Club and Baker IDI Heart and Diabetes Institute.

Member: World Presidents' Organisation and Australian Institute of Company Directors.

Past Non-executive Directorships (past three years)

Novion Limited.

Meetings of Directors

The following section outlines the meetings of Directors attended by both Federation and Novion Directors prior to the Merger on 11 June 2015. There was one board meeting of the Merged Group prior to 30 June 2015, which was attended by all Directors in office on 16 June 2015.

Federation to 11 June 2015

The following table sets out the number of meetings of Directors of Federation Limited and Federation Centres Limited as RE of the Trust (including meetings of Committees of the Board) held for the period from 1 July 2014 to 11 June 2015 (pre-Merger) and the number of meetings attended by the pre-Merger Directors of Federation.

	Board meetings	Remuneration and HR Committee	Audit and Risk Committee	Nominations Committee
Number of meetings held	15	10	5	2
Number of meetings attended by(1):				
Bob Edgar(2)	15	-	-	2
Tim Hammon	15	10	-	2
Charles Macek	15	10	-	2
Steven Sewell	15	-	-	-
Debra Stirling	13	9	4	1
Wai Tang	15	-	5	2
Clive Appleton(2)	8	9	5	2
Fraser MacKenzie(2)	15	-	5	2

(1) The number of meetings attended in these Director tables represents the attendees in their capacity as Committee member and does not reflect the attendance of Directors by invitation.

(2) Resigned as directors of Federation on 11 June 2015. Additionally, Mr Appleton excluded himself from a number of Board meetings during FY2015 on the basis of a conflict of interest with the business of the meeting

Novion to 11 June 2015

The following table sets out the number of meetings of Directors of Novion Limited and Novion RE Limited as responsible entity of Novion Trust (including meetings of Committees of the Board) held for the period from 1 July 2014 to 11 June 2015 (pre-Merger) and the number of meetings attended by the pre-Merger Directors of Novion.

	Board meetings	Remuneration and Organisation Committee	Audit Committee	Risk and Compliance
Number of meetings held	14	9	8	6
Number of meetings attended by(1):				
Peter Hay(2)	11	6	-	3
Trevor Gerber	12	8	5	-
Richard Haddock	14	9	8	-
Peter Kahan	14	9	8	-
Karen Penrose	13	-	8	6
David Thurin	14	-	-	6
Angus McNaughton(3)	14	-	-	-
Nancy Milne(3)	13	9	-	6
Jim Kropp(4)	4	-	4	2

(1) The number of meetings attended in these Director tables represents the attendees in their capacity as Committee member and does not reflect the attendance of Directors by invitation.

(2) Appointed as a director of Novion on 25 July 2014.

(3) Resigned as directors of Novion on 11 June 2015.

(4) Resigned as director of Novion on 30 September 2014.

Additionally, Novion had a Nominations Committee, consisting of all independent directors, which did not meet during the period.

Director's interests

The interests of each Director in the capital of the Group at the date of this report are included in the Remuneration Report on page 45.

Loans to Directors

No loans have been made to the Directors of Federation, including their related entities, by Federation Limited or Federation Centres Limited and their controlled entities.

Indemnification and insurance of Directors and Officers

The Company must indemnify the Directors, on a full indemnity basis and to the full extent permitted by law, against all losses or liabilities incurred by the Directors as officers of the Company or of a related body corporate provided that the loss or liability does not arise out of misconduct, including lack of good faith.

During the financial year, the Company insured its Directors, Secretaries and Officers against liability to third parties and for costs incurred in defending any civil or criminal proceedings that may be brought against them in their capacity as Directors or Officers of Federation. This excludes a liability that arises out of wilful breach of duty or improper use of inside information. The premium also insures the Company for any indemnity payments it may make to its Officers in respect of costs and liabilities incurred. Disclosure of the premium payable is prohibited under the conditions of the policy.

Remuneration Report (Audited)

During the year, I met with a wide range of stakeholders in relation to the 2014 Remuneration Report and remuneration framework. The Remuneration and HR Committee (the Committee) also considered industry trends and outcomes and sought external independent advice where appropriate.

The feedback provided at the meetings with external stakeholders, market information and independent advice was carefully considered as part of the review of the remuneration framework to ensure that we reward our people in a way that reflects performance and creates an engaged and diverse talent pool who are aligned and focussed on delivering sustainable returns to security holders.

It is important that these policies are flexible to recognise changing circumstances within the organisation, external competition for talent and stakeholder expectations. While this means the policies governing remuneration will be dynamic, the underlying principles remain the same and are fundamental to driving any changes.

Important factors considered during the 2015 Financial Year were the strong financial performance of the Group, feedback from stakeholders in relation to remuneration settings and, of course, that the remuneration settings are suitable given the merger with Novion.

Further review of the current remuneration framework will be undertaken by the Committee of the Merged Group to confirm that it appropriately addresses the objectives of the Merged Group. However, in this transitional year, the Committee have agreed that the current framework will apply for FY2016. To achieve normalisation across the merged entity the Performance Reward Payment Long (PRPL – formerly Long Term Incentive) will be extended to Senior Leaders (approximately 50 employees) and deferral of Performance Reward Payment Short (PRPS – formerly Short Term Incentive) will continue for Executive Committee and Senior Leaders of the Merged Group.

The overall focus of the Committee remains to deliver a remuneration framework that drives the creation of value for investors.

The main changes to the remuneration framework involved a reduction in the maximum PRPS opportunity for the Executive Committee. The maximum PRPS has been reduced from three times total target opportunity to two times target opportunity capped at 200% of fixed pay. For the Chief Executive Officer, Steven Sewell, the potential PRPS was reduced from 375% of fixed pay to 200% for FY2015.The Chief Executive Officer's scorecard has also been re-weighted to create a stronger focus on the importance of both long term decision making by the Executive Committee and quality of the retail portfolio.

It is the Committee's intention to continue to reduce the emphasis on PRPS over time and refocus outcomes on the achievement of objectives with a longer timeframe. This reflects stakeholder feedback that delivery of sustainable returns over longer periods is a key objective.

The Committee believes the changes made to the remuneration framework are another positive step towards providing our people with remuneration that is consistent with the interests of our investors.

In keeping with prior years, and reflecting the strong performance of Federation during the 2015 Financial Year, the $1,000 Exempt Employee Security Plan will be offered. This recognises the contribution of all employees and helps create a link with investor interests at every level of the business.

The Committee understands that the Remuneration Report is a larger and more complex document as a consequence of the merger, in order to meet the necessary statutory and legal requirements. However, our objective is to make the report more readable and assist stakeholders reconcile outcomes in the report with the broader financial performance of the Group.

The Board is pleased to present the FY2015 Remuneration Report.

Charles Macek
Chairman
Remuneration and HR Committee

Update on the merger with Novion

On 11 June 2015, pursuant to the Merger Implementation Agreement, Novion and Federation merged. As noted on page 2 of the Directors Report, under the *Corporations Act 2001*, Federation is identified as the legal acquirer and Novion as the legal acquiree.

As detailed in Note 1(g) of the financial report, the transaction has been accounted for as a reverse acquisition. For accounting purposes Novion is identified as the accounting acquirer and Federation is the accounting acquiree. Therefore, the consolidated financial statements represent a continuation of the financial statements of Novion and reflect a full year of Novion results and its controlled entities plus Federation from the date of acquisition.

However, Federation Limited as the legal acquirer and legal parent of Federation, is the entity required by the *Corporations Act 2001* to produce the Directors Report of which the Remuneration Report forms part. Section 300A(1) of the *Corporations Act 2001* provides that the Directors Report for a financial year for an entity required to produce consolidated financial statements must include (amongst other things) certain prescribed details in relation to the remuneration of each member of the key management personnel (KMP) for the consolidated entity.

Given that Federation and Federation Limited (as legal parent) are the entities to which section 300A applies, the 30 June 2015 Remuneration Report provides the following information and details:

(a) Details of the Executive KMP Remuneration Framework as it relates to Federation;

(b) Remuneration of KMP of Federation (as a stand-alone entity) for the pre-merger period; and

(c) KMP of the ‘merged Group' for the post-merger period (from 11 June 2015).

As a result, the Federation 30 June 2015 Remuneration Report does not include the following pre-merger remuneration information in relation to Novion:

(d) Executive KMP remuneration framework and principles;

(e) Remuneration of former Novion KMP and Novion Non-executive directors; and

(f) Details of Novion KMP remuneration prior to the merger.

Aggregate remuneration in respect of the former Novion KMP and Non-executive directors from 1 July 2014 up to the merger date is included in Note 15 of the consolidated financial report.

In August 2015, Mr Sewell ceased his role as Chief Executive Officer of Federation and as a Director, following the successful completion of the merger transaction between Federation and Novion. The Board thanks Steven for his substantial contribution to the establishment and strong performance of Federation since his appointment in February 2012 and in the planning for the implementation of the merger.

Mr Sewell is entitled to receive 12 months' notice under his Executive Services Agreement. Mr Sewell will serve four months' of this notice period and perform transitional duties as required from time to time. The balance of his notice period, approximately $992,307 will be paid in lieu of notice on or around 2 December 2015. Mr Sewell's entitlements to PRPS and PRPL will be treated in accordance with the good leaver provisions of the respective plans (as detailed in Table 2 and 3 of this report). He will receive additional termination benefits of approximately $158,000, including outplacement services, relocation assistance and other benefits. Mr Sewell's benefits on termination will not exceed the cap relating to termination benefits. His FY2015 deferred PRPS value of $1,250,000 was earned based on performance against the applicable hurdles and will be paid in cash at the same time as all other FDC employees. Mr Sewell's FY2014 deferred PRPS will be released on cessation of his employment.

Angus McNaughton, former Managing Director and Chief Executive Officer of Novion, has been appointed Chief Executive Officer of the merged group, tasked with the full implementation of the merger.

CONTENTS

SECTION 1 – OVERVIEW

At Federation, our people strategy is designed to build capability and a culture to facilitate a leading Australian Real Estate Investment Trust (A-REIT). Our strategy emphasises market-driven reward structures linked to performance, which assists Federation to attract and retain highly motivated and engaged people. Our compliance requirements are maintained within our Right Way framework overarching the reward framework. We measure behaviours to ensure 'what' we achieve is not at the expense of 'how' we work together. Non-compliance with the Right Way framework has a negative impact on any Performance Reward Payment (PRP). Serious breaches can reduce any potential payment to zero.

Reward Framework

Our remuneration framework was developed to reflect current remuneration practices and the organisation's strategic agenda. It includes links to strategy and performance, and reflects the following objectives:

- Provide market-competitive remuneration practices that attract, retain and motivate high-performing executives.
- Demonstrate links between performance, strategy execution and creation of value.
- Encourage executives to manage from the perspective of securityholders through a balance of performance measures and appropriate remuneration deferral in the form of equity.

Section 4 sets out the PRP detail for Executive Key Management Personnel. In short, the PRP comprises:

A: Short-Term PRP (PRPS)

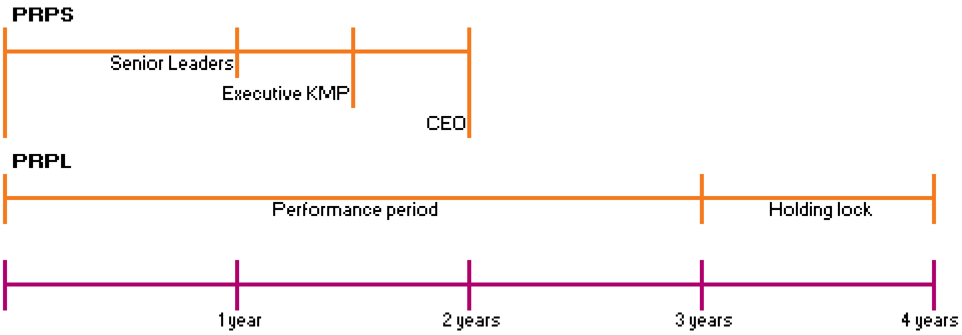
- An amount paid in cash after a 12 month performance period.
- An amount deferred into equity for 24 months in the case of the Chief Executive Officer and Managing Director (referred to as the CEO hereafter), 18 months for other members of the Executive Committee and 12 months for Senior Leaders.

B: Long-Term PRP (PRPL)

- An amount allocated in performance rights, deferred and tested after three years with an additional trading lock of one year after the performance test. The performance rights are subject to:
  - internal hurdles based on earnings per security (EPS) and Group return on equity (ROE) with a profit floor to ensure appropriate return and growth; and
  - an external hurdle, measured against the S&P/ASX 200 A-REIT Index relative total securityholder return (TSR) basis.

The Committee have reviewed the performance measures for FY2016 and advise that the EPS and ROE internal hurdle will be replaced with a total return (TR) hurdle. Further details will be provided in next year's Remuneration Report.

A summary of the deferral is depicted below.



Changes during FY2015

The fundamental structure of Federation Centre's remuneration policy remained consistent throughout FY2015, however there were modifications made to specific reward opportunities. These were made in response to securityholder feedback in FY2014 and to further enhance the alignment of the interests of directors and executives with securityholders.

The key changes were:

- Reduction in the CEO maximum Short-term PRPS opportunity from 375% to 200% of total fixed remuneration (TFR). This has reduced the potential maximum package of the CEO by 29%.
- Reduced the maximum PRPS opportunity for all other Executive KMP to 200% of target opportunity, representing a decrease in the maximum potential package of other Executive KMP of between 17-19%.

Attracting and retaining talent

We continue to build our talent pipeline at all levels through the roll-out of a talent framework focused on talent identification, development and succession, and the use of a graduate program which aims to recruit and develop talented graduates.

Link to FY2015 financial performance

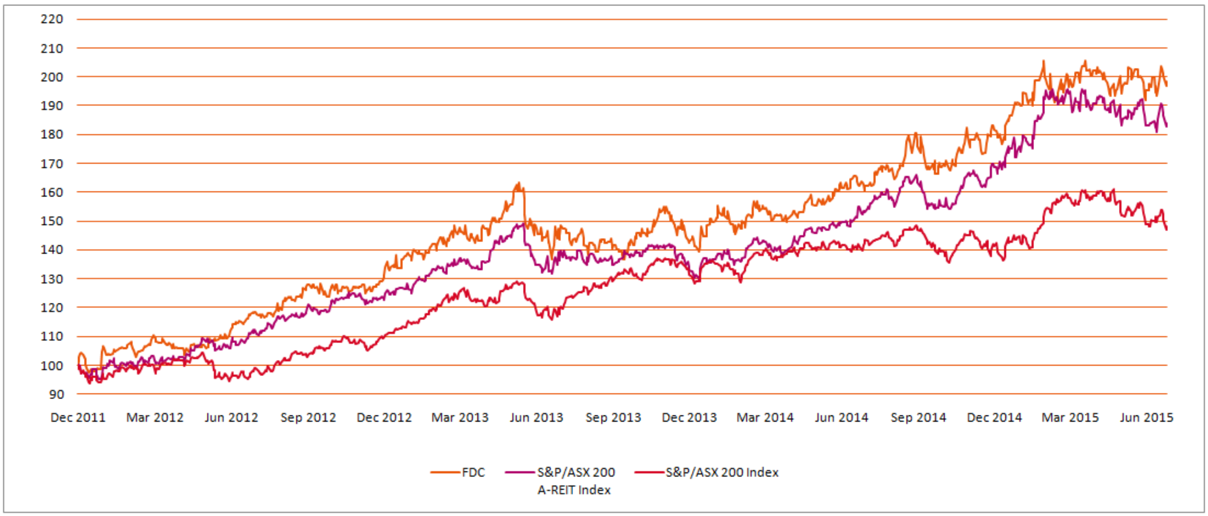
Historical performance metrics for the previous three years are as follows:

Performance metric	FY2012(1)	FY2013	FY2014	FY2015
Security price as at 30 June ($)	1.98	2.37	2.49	2.92
Distributions declared per security (cents)(2)	6.5	14.1	15.7	16.9
Total securityholder return for the year ended 30 June	17.6%	26.8%	11.5%	24.2%
S&P/ASX 200 A-REIT Index	10.8%	24.2%	11.1%	20.3%

(1) 2012 figures are for the period 1 December 2011 to 30 June 2012 post Aggregation.

(2) FY214 includes a 0.4 cent distribution declared in 2014 relating to 30 June 2014.

Figure 1: Relative Federation security price to 30 June 2015



The graph and table confirm strong trading performance over the last 12-month period and the period from Aggregation to 30 June 2015. In summary:

- Federation's security price closed at $2.49 on 30 June 2014 and increased to $2.92 on 30 June 2015.
- Federation delivered a 24.2% total return for the year ended 30 June 2015.
- In FY2015, Federation outperformed the S&P/ASX 200 A-REIT Index by 4.0% and outperformed the S&P/ASX 200 Index by 18.5%.
- In the period from Aggregation to 30 June 2015, Federation outperformed the S&P/ASX 200 A-REIT Index and the S&P/ASX 200 Index by 14.6% and 50.4% respectively.

SECTION 2 – KEY MANAGEMENT PERSONNEL

As detailed on page 16, this Remuneration Report is consistent with Australian Accounting Standards and Section 300A of the Corporations Act 2001 which requires disclosure of remuneration information for Key Management Personnel (KMP). KMP are defined as those persons with authority and responsibility for planning, directing and controlling the activities of an entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

As a result of the merger with Novion on 11 June 2015, a management restructure was undertaken resulting in a change in the structure and designation of executive KMP from the date of the merger. The Executive KMP of FDC both pre and post merger up until 30 June 2015, are outlined below. Dates of inclusion or cessation as a KMP are detailed in the appropriate footnotes:

Executive KMP

Merged Group Executive KMP	
Steven Sewell(1)	Chief Executive Officer and Managing Director
Jonathan Timms	Executive General Manager Development
Richard Jamieson(2)	Chief Financial Officer and Executive General Manager Investments
Stuart Macrae(2)	Executive General Manager Leasing
Federation Executive KMP up to date of Merger	
Peter Coroneo(3)	Executive Manager National Leasing
Colleen Harris(3)	Executive General Manager People and Culture
Carolyn Reynolds(3)	General Counsel
Former Federation Executive KMP	
Tom Honan(4)	Chief Financial Officer
Kerrie Lavey(5)	Executive General Manager Corporate Communications
Mark Wilson(4)	Executive General Manager Property Operations

(1) Steven Sewell ceased his role as Chief Executive Officer and Managing Director in August 2015.

(2) Appointed KMP of the group on 11 June 2015.

(3) Ceased to be a KMP on 11 June 2015, however remain employees of FDC.

(4) Tom Honan (as announced on 9 June 2015) and Mark Wilson ceased as Executive KMP on 11 June 2015 and employment with Federation on 6 July 2015 and 31 July 2015 respectively.

(5) Kerrie Lavey ceased as an Executive KMP and employment with Federation on 13 February 2015.

Non-executive Directors

Merged Group	
Peter Hay[(1)]	Independent Chairman Chairman, Nomination Committee
Trevor Gerber[(1)(2)]	Independent Non-executive Director Member, Audit Committee Member, Remuneration and HR Committee
Richard Haddock AM[(1)]	Independent Non-executive Director Member, Audit Committee Member, Risk and Compliance Committee
Tim Hammon	Independent Non-executive Director Chairman, Risk and Compliance Committee Member, Remuneration and HR Committee Member, Nomination Committee
Peter Kahan[(1)]	Non-Executive Director Member, Audit Committee Member, Remuneration and HR Committee Member, Nomination Committee
Charles Macek	Independent Non-executive Director Chairman, Remuneration and HR Committee Member, Nomination Committee
Karen Penrose[(1)]	Independent Non-executive Director Chairman, Audit Committee Member, Risk and Compliance Committee
Debra Stirling[(2)]	Independent Non-executive Director Member, Remuneration and HR Committee Member, Risk and Compliance Committee
Wai Tang	Independent Non-executive Director Member, Audit Committee Member, Risk and Compliance Committee
David Thurin[(1)]	Non-executive Director Member, Risk and Compliance Committee
Former Federation	
Bob Edgar[(3)]	Independent Chairman Chairman, Nomination Committee
Clive Appleton[(3)]	Independent Non-executive Director Member, Remuneration and HR Committee Member, Audit and Risk Committee Member, Nomination Committee
Fraser MacKenzie[(3)]	Independent Non-executive Director Chairman, Audit and Risk Committee Member, Nomination Committee

(1) Previously a Novion non-executive director and appointed non-executive director of the group on 11 June 2015.

(2) Alternative directors until the Annual General Meeting.

(3) Ceased to be non-executive director on 11 June 2015.

SECTION 3 – GOVERNANCE

Board oversight and independence

The Board of Directors has responsibility to ensure good governance is in place in relation to all human resource matters including remuneration. To ensure that the Board acts independently of management and is fully informed when making remuneration decisions, the Board has established the following protocols:

1. The Board has established a Remuneration and HR Committee (the Committee) comprised of Non-executive Directors. The Committee is responsible for reviewing and making recommendations on remuneration policies for Federation, including policies governing the remuneration of Executive KMP and other senior executives. Further information regarding the respective roles and responsibilities of the Board and the Committee is contained in their respective Charters, available at www.federationcentres.com.au.
2. When considering the recommendations of the Committee, the Board applies a policy prohibiting the CEO and other executives from being present and participating in discussions impacting their own remuneration.
3. The Committee can seek advice from both management and external advisors in developing its remuneration recommendations for the Board.

External advisors and remuneration consultants

The Committee directly engages external advisors to provide input to the process of reviewing Executive KMP and Non-executive Director remuneration. During FY2015, KPMG was engaged by the Committee to provide a number of services, including:

- providing benchmarking data for CEO, Executive Committee and Non-executive director remuneration;
- providing information on market practice and trends in remuneration within the A-REIT sector, and broader ASX;
- providing advice on the tax implications of the PRP; and
- undertaking actuarial valuations of the performance rights provided to Executive KMP under the PRP for the purposes of the Australian Accounting Standards (AAS).

The engagement of KPMG was undertaken by the Committee, independent of management, and based on an agreed set of protocols governing the manner in which the engagement would be developed by KPMG and provided to the Committee. These protocols ensure that the following steps are taken:

- KPMG takes instructions from the Committee and is accountable to the Committee for all work;
- During the course of any assignments, KPMG may seek input from management; however, deliverables are provided directly to the Committee; and
- Professional fee arrangements are agreed directly with the Committee Chairman.

The work undertaken by KPMG in FY2015 did not constitute a remuneration recommendation for the purposes of the Corporations Act.

SECTION 4 – EXECUTIVE KMP REMUNERATION FRAMEWORK

Remuneration mix

The total remuneration for Executive KMP comprises fixed and at-risk components.

The relative weightings of the fixed and at risk components of total target remuneration are detailed in Table 1. A higher proportion of the CEO's total remuneration is at risk as he has the greatest scope to influence Federation's long-term performance.

Table 1: Relative weightings of total target remuneration(1)

	Fixed	At risk	
	TFR	PRPS(2)	PRPL
Merged Group Executive KMP			
Steven Sewell	28%	36%	36%
Jonathan Timms	40%	30%	30%
Richard Jamieson(3)	-	-	-
Stuart Macrae(3)	-	-	-
Federation Executive KMP up to date of Merger(4)			
Peter Coroneo(4)	44%	33%	23%
Colleen Harris(4)	44%	28%	28%
Carolyn Reynolds(4)	50%	25%	25%
Former Federation Executive KMP			
Tom Honan(4)	40%	30%	30%
Kerrie Lavey(5)	44%	28%	28%
Mark Wilson(4)	44%	28%	28%

(1) The percentages reflect the total remuneration for each component at target. The actual value derived by the Executive KMP for each of the components may differ from the figures shown in the table above as those values are dependent on actual performance.

(2) 50% of PRPS provided to eligible Executive KMP is paid in cash and 50% is deferred into Federation securities for 18 months (24 months for Steven Sewell). In the case of Tom Honan, Kerrie Lavey and Mark Wilson, who left the group as good leavers, 100% of PRPS for FY2015 will be paid in cash.

(3) Appointed KMP of the group on 11 June 2015.

(4) Ceased to be KMP on 11 June 2015. Remuneration reflects period of service as KMP from 1 July 2014 to 11 June 2015.

(5) Ceased to be KMP on 13 February 2015. Remuneration reflects period of service as KMP from 1 July 2014 to 13 February 2015.

Total fixed remuneration

TFR comprises base salary, superannuation contributions and any salary sacrifice amounts (for example, motor vehicle leases).

Federation aims to provide a competitive level of fixed pay that recognises the size, scope and complexity of the role; the relevant job market; and the experience, capability and performance of the incumbent. For each Executive KMP, TFR is positioned at or around the median of the comparator group, with a range of between 80% and 120% of the agreed midpoint to account for the specific capabilities and experience of the individual in the role. Remuneration is benchmarked against two comparator groups:

1. Primary comparator group comprising S&P/ASX 200 listed Australian real estate investment trusts (A-REITs) on the basis that these companies operate in the same industry as Federation and will generally compete for the same executive talent. For FY2015, prior to the merger, Westfield Corporation was specifically excluded due to its significant difference in size and global remuneration framework compared to Federation.

2. Secondary comparator group selected primarily on the market capitalisation of Federation and comprising 10 companies above and below the market capitalisation of Federation. Although this comparator group includes companies from a variety of industries, it provides a broad overview and validation having regard to company size.

At-risk remuneration

The at-risk remuneration is managed by the PRP framework. The framework is described in detail in Tables 2 and 3 below.

Table 2: Key features – Performance Reward Payment – Short Term (PRPS)

PRPS	
Definition and objective	The PRPS provides eligible participants with the opportunity to receive an annual, performance-based incentive payment, when a combination of short-term Group financial and individual performance objectives are achieved.
Participation	All permanent employees, including Executive KMP.
PRPS opportunity	For the CEO, the FY2015 PRPS opportunity at a target level of performance is 125% of TFR. For other Executive KMP, the PRPS opportunity at a target level of performance is between 50% and 75% of TFR. Each Executive KMP (other than the CEO) has a theoretical maximum of two times target for exceptional individual and Federation's performance. For the CEO, the maximum is limited to 1.6 times target opportunity. It is important to note that, given the fact that there is a limited pool for above target performance, it is not possible for each executive to achieve the maximum target in the same year. For example, where one individual receives a maximum payout, it will reduce the pool available for other participants.
Performance period	The applicable PRPS performance period is the full financial year. Performance objectives for FY2015 were finalised by the Board in the case of the CEO and by the CEO and Board in the case of other Executive KMP. Where an Executive KMP commenced or ceased employment during the year, their PRPS was evaluated and paid on a pro-rata basis.
Payment method	The PRPS will be provided as a cash payment following the Board's review of Federation's financial results at the end of the performance period. For Executive KMP and senior executives, there will be a component deferred into equity for a period of 12 to 24 months (18 months for Executive KMP and 24 months for CEO). Executives receive dividends on the deferred equity during the holding lock period.
Grant date	Cash payments are expected to be made in September 2015 after finalisation of the FY2015 audited financial statements.
Link with performance (through a combination of Group and individual objectives)	The PRPS is designed to incentivise and reward high performance by placing a meaningful proportion of the participant's potential remuneration at risk and to align executive interests with Federation's financial performance and strategic goals and objectives (as set out in Table 2.1).

Table 2: Key features – PRPS (continued)

PRPS (continued)

Performance measure and results	Tables 2.2, 2.3 and 2.4 on page 25 to 28 provide a more detailed overview of the performance objectives and measures and the subsequent results for the CEO and Executive KMP for FY2015 respectively.
Balance between financial and non-financial targets	Table 2.1 provides details of the balance between financial and non-financial targets for Executive KMP for FY2015.
Assessment of performance	The Committee, with input from the Board Chairman, assesses the CEO's performance against his objectives and makes a recommendation to the Board for final determination. The CEO assesses the performance of all other Executive KMP relative to their individual objectives and makes recommendations to the Committee for consideration. In turn, the Committee makes recommendations to the Board for final determination.
Cessation of employment	Generally, an entitlement to PRPS is forfeited upon the cessation of employment (for example, due to resignation). However, if cessation of employment is due to illness, disability or death or is a Federation initiated termination other than for cause (for example, genuine redundancy), the Executive KMP may receive a pro-rata PRPS for the portion of the performance period they were employed by Federation. The pro-rata portion of the PRPS for the year is paid fully in cash at the same time as all others.

Table 2.1: Balance between financial and non-financial targets

	% Strategic and financial targets	% non-financial targets
CEO	75%	25%
All other current Executive KMP	55% to 75%	25% to 45%

PRPS Performance Measures and Outcomes

The calculation of financial performance for FY2015 was undertaken in July 2015 by comparing actual performance against the agreed performance objectives. All outcomes exclude Novion performance.

Table 2.2 outlines the performance of the CEO and KMP against the group financial metrics that were included in the FY2015 PRPS. These accounted for 30% of the CEO's PRPS and between 25-45% of the KMP PRPS.

Table 2.3 outlines the performance of the CEO against the strategic, leadership and operational excellence measures that made up the remaining 70% of the CEO's PRPS.

Table 2.4 outlines the performance of the KMP against the individual objectives that made up the remainder of the KMP PRPS.

Table 2.2: Group Financial Metrics included in PRPS

Element	Target objective (cents per security)	Maximum objective (cents per security)	Actual result(1) (cents per security)
Underlying EPS	17.8	20.0	18.2

(1) Based on underlying earnings included in the segment results as per Note 3 of the Financial Report. Does not consider performance of Novion during the period.

Table 2.3: Performance objectives, measures and results for CEO (relates to pre-merger only)

Objective and weighting	Measure	Reason chosen	Result as assessed by the Board
Financial (30%)	Achieve target underlying earnings per security (UEPS) as reflected in the Board-approved budget.	Underlying EPS is a key driver of Federation's capacity to pay distributions, which is typically a primary objective for investors in the S&P/ASX 200 A-REIT Index	See Table 2.2 for comparison of actual result against target
	Achieve target return on equity (ROE) as reflected in the Board-approved budget	The ROE measure was introduced to focus management attention on the effective use of capital to provide a more overt connection to long-term strategy and focus on development	Objective exceeded - ROE of 15.3% achieved driven by earning and revaluation gains on investment properties
	Achieve target management expense ratio (MER)	The MER measure was introduced to focus management attention on expense management, both internally and externally	Specific cost reduction objective met
	Management of strategic alliance and successful completion of transactions and joint ventures as approved by the Board	Balance sheet strength is a critical foundation for future success	Objective met - Co-ownership arrangements have been actively managed and enhanced with TIAA Henderson joining the cohort during the financial year as part of the Mt Ommaney purchase. These co-owner relationships are diverse and allow recycling of capital into other projects which is well-aligned to the strategic objective of owning and managing quality Australian shopping centres.
	Achieve capital/debt optimisation	Diversified funding sources	Objective met - The successful return to issuing debt on domestic and global debt markets is the result of a concerted and well-planned approach to ensuring the strategy, financial performance and governance of the organisation is of a high standard, meeting the requirements for the support of debt market investors.
Strategic (45%)	Delivery of Development Pipeline	Shopping centre development and portfolio management is a key driver of future growth	Objective exceeded - Major redevelopments were completed at Warnbro Centre (WA) and stage one at Cranbourne Park (VIC), with new major redevelopments commencing on-site at Warriewood Square (NSW), Halls Head Central (WA) and Colonnades (SA). The total value of these redevelopment activities is approximately $340 million. Fitout upgrades delivered for 803 tenancies. Together with FDC's active development pipeline and centre enhancement program, the delivery of these fitout upgrades has enhanced centre ambience and presentation levels.

Objective and weighting	Measure	Reason chosen	Result as assessed by the Board
	Drive quality and security of base income through leasing productivity enhancement and optimisation of retail mix	Ensures quality and security of base income	Objective exceeded - occupancy rate of 99.4% reflecting close to full occupancy levels (converts to 98.1% after harmonisation of merger calculation methodology). Portfolio achieved 3.4% growth in net operating income on a comparable basis for FY2015. (2.3% in the prior comparable period). Increase in retail sales of 0.6% with specialty retailers achieving sales growth of 2.1%. A total of 885 leasing deals were completed achieving rental growth of 3.2%.
	Strategic Portfolio Management	Ensures quality and security of base income	Objective exceeded - Repositioning through sales of centres such as Arndale and Mildura and purchases of Mt Ommaney and Currambine Central, as well as the expansion of the redevelopment pipeline and a range of smaller scale, fast-track centre repositioning and tenancy remix initiatives.
	Management of strategic opportunities and threats to corporate development	Combining two complimentary platforms provides greater portfolio scale, expertise, efficiencies and shareholder returns	Objective exceeded - Pursuant to the Merger Implementation Agreement, Novion and Federation successfully merged on 11 June 2015 and integration has commenced
Leadership and operational excellence **(25%)**	Lead and develop collective capabilities of functional teams	Effective teams underpin successful delivery of strategic objectives	Objective met – Talent mapping in place across the business Succession plans in place for all EC and Senior Leader roles Revised Talent & Development strategy and function to uplift capability and delivery
	Implement actions from the FY2014 engagement survey	Engaged team members underpin successful delivery of strategic objectives	Objective met – Key priorities actioned including enhanced internal communication and employee recognition
	Enhance relationships with equity analysts and fund managers	Informed analysts and fund managers will help ensure that Federation is perceived positively by external stakeholders	Objective met - Enhanced relationships with equity analysts and funds managers through a consistent engagement and significantly improved disclosure practices. This has been reflected in significant buyside and sellside support for the stock.
	Optimise and enhance across the portfolio	Continuous improvement	Objective exceeded - Overall centre efficiencies were improved through a strong focus on procurement. Procurement model savings of at least $6.5M over the contract life and operational CAPEX initiatives $8M less than forecast.

Table 2.4: Performance objectives, measures and results for Executive KMP

Objective	Performance measure	Reason the performance measure was adopted	Result
Group financial	CEO objectives are cascaded through to the Executive KMP. As a result, the group financial objectives for Executive KMP are consistent with CEO group financial objectives, measures and results. Refer to table 2.3 above for detailed Group financial objectives.		
Individual objectives, including strategic and people leadership	While the individual objectives varied depending upon the specific role of the executive, they collectively targeted achievement of the following key initiatives: develop strong relationships with tenants and retailers, delivery of leasing productivity enhancements, optimisation of retail mix, execute asset strategy, manage development pipeline, lead and develop collective capabilities of functional teams and build constructive relationships with existing and potential investors to ensure they are well informed and supportive of business plans. Individual objectives were met or exceeded for all KMP.		

FY2015 PRPS Opportunities and outcomes

	Target PRPS as % of TFR	Maximum PRPS opportunity as % of TFR	Actual PRPS awarded ($)	% of maximum PRPS opportunity awarded[1]
Merged Group Executive KMP				
Steven Sewell	125%	200%	2,500,000	100%
Jonathan Timms	75%	150%	725,000	72%
Richard Jamieson[2]	-	-	-	-
Stuart Macrae[3]	-	-	-	-
Federation Executive KMP up to date of Merger[4]				
Peter Coroneo[4]	75%	150%	625,000	74%
Colleen Harris[4]	65%	130%	450,000	74%
Carolyn Reynolds[4]	50%	100%	350,000	88%
Former Federation Executive KMP				
Tom Honan[4]	75%	150%	775,000	65%
Kerrie Lavey[5]	65%	130%	10,000	2.9%
Mark Wilson[4]	65%	130%	475,000	52%

Note: the maximum PRPS opportunity as % of TFR is the theoretical maximum the Executive KMP can receive. It is important to note that, given the fact that there is a limited pool for above target performance and individual performance is taken into account, it is not possible that each executive achieves the maximum target in the same year.

(1) The proportion of maximum PRPS opportunity that was not awarded for FY2015 has lapsed.

(2) Appointed KMP of FDC on 11 June 2015. Participation in the FDC PRPS will commence in FY2016. As KMP of Novion, details of total Novion aggregated remuneration have been included in Note 15 of the financial statements.

(3) Appointed KMP of FDC on 11 June 2015. Mr Macrae was not a KMP of Novion. Participation in the FDC PRPS will commence in FY2016.

(4) Ceased to be KMP on 11 June 2015. The PRPS amount relates to the total amount granted during FY2015.

(5) Ceased to be KMP on 13 February 2015. The PRPS amount only relates to the period during which Ms Lavey was KMP during FY2015.

Table 3: Key features – Performance Reward Payment – Long Term (PRPL)

PRPL	
Objective	To ensure that securityholder and Executive KMP interests are aligned and to retain and incentivise executives over the longer term.
Definition/equity instrument	Offers consist of a grant of performance rights under the Federation PRPL. Each performance right provides the participant with the right to receive one Federation's stapled security at a future time for nil consideration, subject to the achievement of agreed performance hurdles as set out below.
Participation	Executive KMP. In FY2016 the PRPL will be extended to include the Executive Committee and Senior Leaders to further strengthen Senior Management's interests with that of securityholders.
PRPL opportunity	Table 3.1 indicates the value of the grants, expressed as a percentage of TFR, made under the FY2015 and FY2014 offers to Executive KMP. For these purposes, the value of each right is calculated based on the face value of the underlying security (based on the 10 day volume weighted average price immediately preceding the grant date).

Table 3.1: Grant value of offers as a percentage of TFR

	PRPL grant value as a percentage of TFR at date of PRPL offer	
	FY2015	**FY2014**
Merged Group Executive KMP		
Steven Sewell	125%	125%
Jonathan Timms	75%	75%
Richard Jamieson(1)	Not applicable	Not applicable
Stuart Macrae(1)	Not applicable	Not applicable
Federation Executive KMP up to date of Merger		
Peter Coroneo	65%	50%
Colleen Harris	65%	65%
Carolyn Reynolds	50%	Not applicable
Federation Executive KMP		
Tom Honan(2)	75%	75%
Kerrie Lavey(3)	65%	65%
Mark Wilson(2)	65%	65%

(1) Appointed KMP of the group on 11 June 2015 and did not receive any grant under the FY2015 FDC PRPL.

(2) Ceased to be KMP on 11 June 2015. A pro-rated amount of each grant remains on-foot subject to original performance hurdles.

(3) Ceased to be KMP on 13 February 2015. A pro-rated amount of each grant remains on-foot subject to original performance hurdles.

Table 3: Key features – PRPL (continued)

PRPL (continued)		
	FY2014 and FY2015 PRPL grants	**FY2013 LTI grant**
Performance periods	Performance period of three years: • FY2014 grant: 1 July 2013 to 30 June 2016 • FY2015 grant:1 July 2014 to 30 June 2017 Holding lock of 12 months after performance period. Restriction period is four years in total. Testing occurs within 14 days of Group results.	Performance period of three years from 1 July 2012 to 30 June 2015. No holding lock. Restriction period is three years. Testing occurs within 14 days of Group results.
Allocation method	Face value	Fair/accounting value
Performance hurdles	Allocations of performance rights will be tested against two performance hurdles: • 40% will be subject to the achievement of a relative total securityholder return (TSR) performance hurdle; and • 60% will be tied to the achievement of underlying EPS and Group ROE growth targets. Each hurdle will be measured independently at the end of the performance period.	Allocations of performance rights will be tested against two performance hurdles: • 50% will be tied to the achievement of a relative total securityholder return (TSR) performance hurdle; and • 50% will be tied to the achievement of an underlying EPS performance hurdle. Each hurdle will be measured independently at the end of the performance period.
Rationale for performance hurdles	The Board adopted relative TSR as an externally focused performance measure on the basis that it is transparent and aligns remuneration with Federation's long-term performance relative to its nominated peer group. Underlying EPS and ROE were adopted as the internally focused measures. Underlying EPS is a key driver of Federation's capacity to pay distributions, which is typically a primary objective for investors in the S&P/ASX 200 A-REIT Index. The ROE measure ensures alignment with Federation's long-term strategy regarding capital management and redevelopment.	The Board adopted relative TSR as an externally focused performance measure on the basis that it is transparent and aligns remuneration with Federation's long-term performance relative to its nominated peer group. Underlying EPS was adopted as the internally focused measure as it is a key driver of Federation's capacity to pay distributions, which is typically a primary objective for investors in the S&P/ASX 200 A-REIT Index.

Table 3: Key features – PRPL (continued)

	FY2014 and FY2015 PRPL grants	FY2013 LTI grant
Externally focused performance measure	The relative TSR performance hurdle applies to 40% of the grant. Broadly, TSR measures the return to a securityholder over the relevant performance period in terms of changes in market value of the securities plus the value of any dividends and distributions paid on the securities.	The relative TSR performance hurdle applies to 50% of the LTI grant. Broadly, TSR measures the return to a securityholder over the relevant performance period in terms of changes in market value of the securities plus the value of any dividends and distributions paid on the securities.
	The Board decided that an appropriate comparator group for the relative TSR performance hurdle was the S&P/ASX 200 A-REIT Index, excluding Westfield Corporation.	For the FY2013 LTI grant, the Board decided that an appropriate comparator group for the relative TSR performance hurdle was the S&P/ASX 200 A-REIT Index.
	Where appropriate, the Board has discretion to adjust the comparator group to take into account events, including but not limited to takeovers, mergers or de-mergers, that might occur with respect to the entities in the comparator group.	Where appropriate, the Board has discretion to adjust the comparator group to take into account events, including but not limited to takeovers, mergers or de-mergers, that might occur with respect to the entities in the comparator group.
	Federation's TSR performance will be calculated at the end of the performance period and measured against the TSR performance of members of the comparator group to assess Federation's relative TSR performance. The percentage of TSR performance rights that vest, if any, will be determined by reference to the percentile ranking achieved by Federation over the performance period compared to the comparator group:	Federation's TSR performance will be calculated at the end of the performance period and measured against the TSR performance of members of the comparator group to assess Federation's relative TSR performance. The percentage of TSR performance rights that vest, if any, will be determined by reference to the percentile ranking achieved by Federation over the performance period compared to the comparator group:

Relative TSR percentile ranking	Percentage of relative TSR performance rights that may vest
At 51st percentile or below	0%
Between 51st and 75th percentile	Progressive pro-rata vesting from 51% on a straight-line basis
75th percentile or above	100% (i.e. maximum amount under the Plan)

Relative TSR percentile ranking	Percentage of relative TSR performance rights that may vest
Less than the 50th percentile	0%
At the 50th percentile	50%
Between 50th and 75th percentile	Progressive pro-rata vesting from 50% on a straight-line basis
75th percentile or above	100% (i.e. maximum amount under the Plan)

Table 3: Key features – PRPL (continued)

<table>
<tr><th></th><th>FY2014 and FY2015 PRPL grants</th><th>FY2013 LTI grant</th></tr>
<tr><td>Internally focused performance measure</td><td>The remaining 60% of the performance rights is subject to achievement of cumulative underlying EPS and Group ROE growth targets.

For these performance rights to commence vesting, both cumulative underlying EPS and Group ROE growth must each be at least 95% of the target.

The following outlines the vesting parameters in more detail.

If both the underlying EPS and ROE growth targets are met, then the level of achievement compared to the business plan will determine vesting, as follows:

• 25% of performance rights will vest if growth in both underlying EPS and ROE is 95% of the business plan.

• The actual number vested will depend on a matrix of underlying EPS and ROE achievement against the business plan. For example, an ROE growth outcome of 105% of the business plan and an underlying EPS growth outcome of 100% of the business plan will result in 62.5% of the internal hurdle performance rights vesting.

• 100% of the performance rights will vest if growth in both underlying EPS and ROE is equal to or greater than 105% of the business plan.</td><td>The remaining 50% of the performance rights is subject to an underlying EPS performance hurdle. Broadly, underlying EPS measures the percentage earnings generated by Federation attributable to each security on issue.

Performance rights subject to the underlying EPS hurdle will vest in accordance with the following scale:

<table><tr><th>Percentage of underlying EPS target achieved</th><th>Percentage of underlying EPS performance rights to vest</th></tr><tr><td>less than 100%</td><td>0%</td></tr><tr><td>100%</td><td>50%</td></tr><tr><td>101%</td><td>75%</td></tr><tr><td>102% and above</td><td>100%</td></tr></table>
In determining the underlying EPS vesting scale for the FY2013 grant, the Board considered the major contributors to underlying EPS (namely property net operating income, overheads and interest expense) and the variability or controllability of these components. The FY2013 underlying EPS vesting scale has been adopted giving due regard to the variability of the key components driving underlying EPS and the level of stretch required to exceed target underlying EPS.

Federation will disclose the actual underlying EPS targets applicable to the LTI grants at the end of the relevant performance period.</td></tr>
<tr><td>Vesting Outcome</td><td>Performance Period not yet complete.</td><td>Given the merger date reduced the period by two weeks the Board determined the vesting outcome as at 29 May 2015, the day Novion was removed from the competitor TSR Group. The overall vesting level was 98.5%, 100% was achieved against the UEPS hurdle (17.8 vs 18.2 cents) and 96% was achieved against the relative TSR hurdle.</td></tr>
</table>

Table 3: Key features – PRPL (continued)

Rights attaching to performance rights	Until the performance rights vest, an Executive KMP has no entitlement to receive dividends or distributions, no legal or beneficial interest in the underlying stapled securities, and no voting rights. There is no retesting of the performance rights. Any performance rights that do not vest at the end of the performance period will lapse.
Forfeiture of performance rights	There are a number of circumstances in which Executive KMP's performance rights will not vest (i.e. other than failure to meet the performance hurdle thresholds). These include where an Executive KMP: 1. Resigns, or is terminated for poor performance; 2. Deals (or purports to deal) with their performance rights in contravention of the Plan Rules or Offer Letter; or 3. Acts fraudulently or in a manner that brings the Group into disrepute, or is convicted of an offence or has a judgement entered in connection with the affairs of the Group. In the event of cessation of employment for such reasons as redundancy, death, total and permanent disablement or retirement, a pro-rata amount of unvested performance rights will normally lapse based on the remaining performance period. The portion relating to the Executive KMP's completed service may still vest at the end of the performance period subject to meeting the performance measures under the Plan. These performance rights will continue to be subject to the holding lock (where applicable and subject to 'clawback' if the Board so determines). The Board retains discretion to determine the treatment of an Executive KMP's performance rights upon cessation of employment. The Plan Rules provide for forfeiture where a material misstatement has occurred due to a participant's fraud, dishonesty or other breach of their obligations to the Group. The Plan Rules also give the Board discretion to re-evaluate the treatment of a participant's PRPL securities where the participant's performance rights have vested as a result of someone else's fraud, dishonesty or non-compliance.
Linking PRPL outcomes with Group performance	As a result of the FY2012 LTI grant successfully achieving the performance conditions 2,426,179 performance rights vested to participating Executive KMP and other nominated senior employees in FY2015. The overall vesting achieved was 92% with the remaining 8% (210,962 performance rights) lapsing. As required by the Corporations Act, the performance metrics as per out Federation's performance during FY2012, FY2013, FY2014 and FY2015 in Australian dollars (five-year historical performance information not being available). The table demonstrates that in the period from Aggregation to 30 June 2015, Federation has outperformed the S&P/ASX 200 A-REIT Index and the S&P/ASX200 Index by 14.6% and 50.4% respectively.

Table 3: Key features – PRPL (continued)

PRPL (continued)

Table 3.2: FY2015 PRPL grants

	Performance condition(1)	Number of performance rights granted(2)	Grant date	Fair value of rights on grant date(3)(4) ($)
Merged Group Executive KMP				
Steven Sewell	Relative TSR	227,712	14 November 2014	273,253
	UEPS/ROE	341,567		730,953
	Total	**569,279**		**1,004,206**
Jonathan Timms	Relative TSR	73,779	14 November 2014	88,534
	UEPS/ROE	110,668		236,829
	Total	**184,447**		**325,364**
Richard Jamieson(5)	Relative TSR	0	Not applicable	0
	UEPS/ROE	0		0
	Total	**0**		**0**
Stuart Macrae(5)	Relative TSR	0	Not applicable	0
	UEPS/ROE	0		0
	Total	**0**		**0**
Federation Executive KMP up to date of Merger				
Peter Coroneo(6)	Relative TSR	42,628	14 November 2014	51,154
	UEPS/ROE	63,942		136,834
	Total	**106,570**		**187,988**
Colleen Harris(6)	Relative TSR	44,522	14 November 2014	53,426
	UEPS/ROE	66,784		142,916
	Total	**111,306**		**196,342**
Carolyn Reynolds(6)	Relative TSR	29,147	14 November 2014	34,976
	UEPS/ROE	43,721		93,561
	Total	**72,868**		**128,537**

Table 3.2: FY2015 PRPL (formerly LTI) grants (continued)

	Performance condition[1]	Number of performance rights granted[2]	Grant date	Fair value of rights on grant date [3],[4] ($)
Former Federation Executive KMP				
Tom Honan[8]	Relative TSR	86,348	14 November 2014	103,618
	UEPS/ROE	129,523		277,179
	Total	**215,871**		**380,797**
Kerrie Lavey[7]	Relative TSR	40,260	14 November 2014	48,312
	UEPS/ROE	60,389		129,232
	Total	**100,649**		**177,544**
Mark Wilson[8]	Relative TSR	66,310	14 November 2014	79,572
	UEPS/ROE	99,465		212,855
	Total	**165,775**		**292,427**

(1) The test period for the performance conditions of the FY2015 grant is from 1 July 2014 to 30 June 2017.

(2) The grants made to Executive KMP represented their full PRPL entitlement for the relevant financial year. The number of performance rights granted was calculated using the 'face value' methodology. The security price used in the calculation is the volume weighted average price of Federation's securities 10 trading days immediately preceding the grant date.

(3) Calculated based on a fair value per performance right of:

Grant date	UEPS/ROE hurdle $	TSR hurdle $
14 November 2014	2.14	1.20

The fair value per performance right was calculated by independent consultants (KPMG) as at each of the grant dates identified above. The valuation of the TSR performance rights incorporates the probability of achieving market conditions whereas the valuation of UEPS and ROE performance rights does not. This results in a lower fair value for TSR performance rights than for UEPS performance rights. For the current period the fair value for accounting purposes differs as a result of the merger. Further details on assumptions used to determine the fair value of the performance rights are included in Note 16 to the Financial Reports. Under accounting standards, this fair value at merger date is recognised as an expense to Federation over the vesting period.

(4) The value of the grant has been estimated based on the fair value per instrument as at the date of grant. The minimum total value of the grant to the Executive KMP is nil should none of the applicable performance conditions be met.

(5) Appointed KMP on 11 June 2015. Participation in the FDC PRPL to commence in FY2016.

(6) Ceased to be KMP on 11 June 2015. PRPL figures reflect the full period.

(7) Ceased to be KMP and employment with FDC on 13 February 2015. PRPL figures reflect the full period.

(8) Tom Honan and Mark Wilson ceased to be KMP on 11 June 2015 and employment with FDC on 6 July 2015 and 31 July 2015 respectively. PRPL figures reflect the full period.

Total performance rights held by KMP including the FY2015 Grant detailed above are as follows:

	Opening	Granted during the year	Forfeited/lapsed rights	Vested	Closing
Merged Group Executive KMP					
Steven Sewell[(1)]	2,234,257	569,279	(67,237)	(773,230)	1,963,069
Jonathan Timms	587,837	184,447	-	-	772,284
Richard Jamieson[(2)]	-	-	-	-	-
Stuart Macrae [(2)]	-	-	-	-	-
Federation Executive KMP up to date of Merger					
Peter Coroneo	87,465	106,570	-	-	194,035
Colleen Harris	287,534	111,306	-	-	398,840
Carolyn Reynolds	-	72,868	-	-	72,868
Former Federation Executive KMP					
Tom Honan[(3)]	247,907	215,871	(217,963)	(19,072)	226,743
Kerrie Lavey[(4)]	256,578	100,649	(149,329)	-	207,898
Mark Wilson[(1)(5)]	1,056,191	165,775	(198,585)	(415,484)	607,897
Total	**4,757,769**	**1,526,765**	**(633,114)**	**(1,207,786)**	**4,443,634**

(1) After performance testing, 8% of the FY12 LTI lapsed.

(2) Appointed KMP of the group on 11 June 2015. Participation in the FDC PRPL to commence in FY2016. Richard Jamieson as KMP of Novion was granted performance rights in FY2015. Details of these are described in Note 16 of the Financial Report.

(3) As Mr Honan left Federation on 6 July 2015, he forfeited 33% of his FY2014 and 66% of his FY2015 performance rights. He did not hold any FY2013 performance rights.

(4) As Ms Lavey left Federation on 13 February 2015, she forfeited 13% of her FY2013, 46% of her FY2014 and 79% of her FY2015 performance rights.

(5) As Mr Wilson left Federation on 31 July 2015, he forfeited 31% of his FY2014 and 64% of his FY2015 performance rights.

Employment agreements

Remuneration and other terms of employment for Executive KMP are formalised in Executive Services Agreements (ESAs). The terms and conditions of employment of the Executive KMP reflect market conditions at the time of their contract.

Key features of the Executive KMP ESAs include the following:

- Eligibility to participate in short-term and long-term incentive plans;
- Ongoing employment until terminated by either the Executive KMP or Federation;
- Federation may make payments in lieu of all or part of the applicable notice period; and
- Treatment of incentives on termination will vary depending on the reason for termination; however, in most 'good leaver' scenarios short-term and long-term incentives will continue on foot (subject to satisfaction of the applicable performance conditions) and will lapse or be forfeited in 'bad leaver' scenarios.

Notice period provisions are detailed below.

	Termination by Federation		Termination by Executive KMP	Fundamental change(1)
	For cause	Other		
Steven Sewell Jonathan Timms	Immediately	12 months	6 months	Executive may terminate immediately. Entitled to 12 months' TFR
Colleen Harris	Immediately	6 months	3 months	Executive may terminate immediately. Entitled to 12 months' TFR
Peter Coroneo Richard Jamieson Carolyn Reynolds	Immediately	6 months	6 months	No fundamental change clause.
Stuart Macrae	Immediately	Before 1 July 2016 - period remaining between the date that notice is given and 31 December 2016 After 1 July 2016 - 6 months		No fundamental change clause.

(1) Fundamental change includes circumstances where the Executive KMP member ceases to report to the CEO or to a position of equal or greater authority, or in the case of the CEO, a material adverse change in who he reports to; or a substantial diminution in responsibility or authority excluding diminution arising through termination or notice of termination or with the Executive KMP member's consent or as a result of a restructure or reorganisation where the Executive KMP member continues to report to the most senior Executive of FDC or the Group.

Total Remuneration

Table 4: Total Executive KMP remuneration for FY2015 and FY2014

		Short-term benefits			Other long-term benefits		Share-based payments		Post-employment		Total
Executive KMP	Period	Base salary ($)	PRPS[1] cash ($)	Non-monetary[2] ($)	Other[3] ($)	Leave entitlements[4] ($)	Performance rights[5] ($)	PRPS Deferred[6] ($)	Superannuation contributions ($)	Termination benefits ($)	Total ($)
Merged Group Executive KMP											
Steven Sewell	**FY2015**	**1,363,606**	**1,250,000**	**7,722**	**-**	**-**	**880,636**	**877,865**	**18,784**	**-**	**4,398,613**
	FY2014	1,142,392	1,383,594	13,048	58,333	-	950,158	426,608	17,775	-	3,991,908
Jonathan Timms	**FY2015**	**687,930**	**362,500**	**5,151**	**-**	**-**	**354,647**	**252,250**	**18,784**	**-**	**1,681,262**
	FY2014	646,762	268,125	7,696	-	-	235,087	99,206	17,775	-	1,274,651
Richard Jamieson[7]	**FY2015**	**33,644**	**-**	**-**	**-**	**-**	**-**	**-**	**1,250**	**-**	**34,894**
	FY2014	-	-	-	-	-	-	-	-	-	-
Stuart Macrae[7]	**FY2015**	**42,480**	**-**	**-**	**-**	**649**	**-**	**-**	**939**	**-**	**44,068**
	FY2014	-	-	-	-	-	-	-	-	-	-
Subtotal Merged Group Executive KMP	**FY2015**	**2,127,660**	**1,612,500**	**12,873**	**-**	**649**	**1,235,283**	**1,130,115**	**39,757**	**-**	**6,158,837**
	FY2014	1,789,154	1,651,719	20,744	58,333	-	1,185,245	525,814	35,550	-	5,266,559
Federation Executive KMP up to date of Merger											
Peter Coroneo[8]	**FY2015**	**468,887**	**295,377**	**6,044**	**-**	**-**	**86,955**	**189,522**	**17,793**	**-**	**1,064,578**
	FY2014	236,897	120,470	2,380	-	-	12,429	44,574	10,912	-	427,662
Colleen Harris	**FY2015**	**432,327**	**212,671**	**3,625**	**-**	**-**	**185,673**	**188,469**	**17,824**	**-**	**1,040,589**
	FY2014	368,025	273,488	5,499	-	-	109,743	101,190	17,775	-	875,720

Table 4: Total Executive KMP remuneration for FY2015 and FY2014 (continued)

		Short-term benefits				Other long-term benefits	Share-based payments		Post-employment		Total
Executive KMP	Period	Base salary ($)	PRPS[1] cash ($)	Non-monetary [2] ($)	Other[3] ($)	Leave entitlements[4] ($)	Performance rights[5] ($)	PRPS Deferred[6] ($)	Superannuation contributions ($)	Termination benefits ($)	Total ($)
Federation Executive KMP up to date of Merger (continued)											
Carolyn Reynolds[8]	**FY2015**	**386,688**	**165,411**	**2,469**	**-**	**-**	**29,624**	**66,164**	**17,793**	**-**	**668,149**
	FY2014	39,001	-	152	-	-	-	-	1,481	-	40,634
Subtotal Federation Executive KMP up to date of merger	**FY2015**	**1,287,902**	**673,459**	**12,138**	**-**	**-**	**302,252**	**444,155**	**53,410**	**-**	**2,773,316**
	FY2014	643,923	393,958	8,031	-	-	122,172	145,764	30,168	-	1,344,016
Former Federation Executive KMP											
Tom Honan[9][10]	**FY2015**	**767,605**	**732,534**	**7,191**	-	-	**249,387**	**307,044**	**17,793**	**458,516**	**2,540,070**
	FY2014	766,007	541,407	4,987	**-**	**-**	114,984	200,320	17,775	-	1,645,480
Kerrie Lavey[10]	**FY2015**	**270,015**	**10,000**	**15,835**	-	-	**115,671**	**63,814**	**12,523**	**439,378**	**927,236**
	FY2014	406,483	106,357	16,381	-	-	96,448	39,352	17,775	-	682,796
Mark Wilson[10]	**FY2015**	**703,757**	**448,973**	**12,682**	**-**	**10,471**	**363,254**	**134,826**	**17,793**	**984,208**	**2,675,964**
	FY2014	670,287	237,738	10,345	-	11,016	480,769	87,963	17,775	-	1,515,893
Total	**FY2015**	**5,156,939**	**3,477,466**	**60,719**	**-**	**11,120**	**2,265,847**	**2,079,954**	**141,276**	**1,882,102**	**15,075,423**
	FY2014	4,275,854	2,931,179	60,488	58,333	11,016	1,999,618	999,213	119,043	-	10,454,744

(1) The cash component is 50% of the FY2015 PRPS, and is scheduled to be paid in September 2015 (following Board approval of the audited FY2015 financial statements). In the case of Kerrie Lavey, Tom Honan and Mark Wilson, the cash component is 100% of their FY2015 PRPS entitlement given their departure from the company on 13 February 2015 6 July 2015 and 31 July 2015 respectively.

(2) Non-monetary benefits include motor vehicles and other non-cash fringe benefits (including the value of death and total permanent disability insurance premiums paid by Federation on behalf of the Executive KMP).

(3) Other benefits include relocation allowances or reimbursements.

(4) Leave entitlements reflect long-service leave accrued for the period.

(5) In accordance with the requirements of Australian Accounting Standards, remuneration includes a proportion of the fair value of the equity compensation granted or outstanding during the year (i.e. performance rights awarded under the PRPL plan that remained unvested as at 30 June 2015). The fair value of the equity instruments is determined as at the grant date and is progressively allocated over the vesting period. As a result of the merger, the fair value of the grants was revalued at the merger date. This amount included as remuneration is not related to or indicative of the benefit (if any) that Executive KMP may ultimately realise should the performance rights vest. The fair value of the performance rights at the date of their grant has been determined in accordance with AASB 2 Share Based Payments, applying a Monte Carlo simulation valuation method.

(6) The amount presented represents the value of PRPS deferred that has been recognised as an expense in the current period as required by accounting standards.

(7) Richard Jamieson and Stuart Macrae were appointed KMP on the merger date, 11 June 2015. Remuneration is only shown for the period 12 June 2015 to 30 June 2015. Richard was previously KMP of Novion and remuneration of Novion KMP for the period to 11 June 2015 is shown at Note 15 of the financial report.

(8) Peter Coroneo commenced with Federation on 15 July 2013 and was appointed Executive KMP on 19 November 2013. Carolyn Reynolds commenced with Federation and was appointed Executive KMP on 28 May 2014. Amounts disclosed in FY2014 relate to the period Mr Coroneo and Ms Reynolds were an Executive KMP.

(9) Included in performance rights is an amount related to special performance rights worth $100,000 issued to Tom Honan on commencement of his employment. 50% of the rights vested on the first anniversary of his commencement, and the remaining 50% on the second anniversary. The pro-rated values of these rights have been included as his remuneration for FY2014 and FY2015.

(10) Termination benefits paid were based on the provisions set out in individual Executive Services Agreements and also include statutory leave payments.

SECTION 5 – NON-EXECUTIVE DIRECTOR REMUNERATION

Remuneration philosophy

Non-executive Director fee levels are set with regard to time commitment and workload, the risk and responsibility attached to the role and external market benchmarking. To promote independence and impartiality, no element of Non-executive Director remuneration is 'at risk'; i.e. it is not based on the performance of Federation.

The current maximum fee pool of $2.25 million was endorsed by securityholders in November 2011. No increase to the Non-executive director fee pool will be sought at the 2015 Annual General Meeting.

Board and committee fees

The Committee engaged KPMG to undertake a benchmarking analysis of non-executive director fees in the external market. The review included comparisons of Federation's Non-executive Director fees against two comparator groups:

- Primary comparator group comprising S&P/ASX 200 listed Australian real estate investment trusts (A-REITs) and other selected real estate companies on the basis that these companies operate in the same industry as Federation and will generally compete for the same director talent. Westfield Corporation has been specifically excluded due to its significant difference in size and global remuneration framework compared to Federation.
- Secondary comparator group selected primarily on market capitalisation of Federation and comprising five companies above and below the market capitalisation of Federation. Although this comparator group includes companies from a variety of industries, it provides a broad overview and validation having regard to company size.

Based on the external benchmarking data, Federation's Board and Committee fees (inclusive of Company superannuation contributions) were established as detailed in Table 5 below.

Table 5: FY2015 Board and Committee fees

Board/committee	Role	FY2015 fees[1] ($)
Board	Chairman	450,000
	Non-executive Director	160,000
Audit and Risk Committee	Chairman	40,000
	Member	20,000
Nomination Committee	Chairman	No additional fee
	Member	No additional fee
Remuneration and HR Committee	Chairman	40,000
	Member	20,000

(1) Fees are inclusive of superannuation.

The FY2016 fees for Board and Committee membership will remain at FY2015 levels. The Chairman of the Board receives no further remuneration for committee membership, although he may attend committee meetings.

During FY2015, Tim Hammon, Fraser MacKenzie and Wai Tang received payments of $30,000 each for membership of the Due Diligence Committee.

Non-executive Directors are entitled to be reimbursed for all business-related expenses, including travel on company business, that may be incurred in the discharge of their duties.

Table 6: Non-executive Directors fees for FY2015 and FY2014

Non-executive Director	Period	Short-term benefits		Post-employment benefit[1]	Total fees
		Fees	Committee fees	Superannuation contributions	
		($)	($)	($)	($)
Merged Group Non-executive Directors					
Peter Hay[2][4]	**FY2015**	**7,500**	**1,950**	**898**	**10,348**
	FY2014	-	-	-	-
Tim Hammon[3]	**FY2015**	**146,839**	**45,887**	**17,274**	**210,000**
	FY2014	147,635	18,454	13,911	180,000
Charles Macek	**FY2015**	**146,119**	**36,529**	**17,352**	**200,000**
	FY2014	146,453	36,613	16,934	200,000
Debra Stirling	**FY2015**	**146,119**	**36,529**	**17,352**	**200,000**
	FY2014	146,453	36,613	16,934	200,000
Wai Tang[3]	**FY2015**	**146,119**	**46,575**	**18,306**	**211,000**
	FY2014	12,768	-	1,181	13,949
Trevor Gerber[4]	**FY2015**	**7,500**	**1,637**	**868**	**10,005**
	FY2014	-	-	-	-
Richard Haddock AM[4]	**FY2015**	**8,000**	**-**	**-**	**8,000**
	FY2014	-	-	-	-
Peter Kahan[4][6]	**FY2015**	**7,500**	**1,637**	**-**	**9,137**
	FY2014	-	-	-	-
Karen Penrose[4]	**FY2015**	**7,500**	**2,300**	**931**	**10,731**
	FY2014	-	-	-	-
David Thurin[4]	**FY2015**	**7,500**	**550**	**765**	**8,815**
	FY2014	-	-	-	-
Sub Total	**FY2015**	**630,696**	**173,594**	**73,746**	**878,036**
	FY2014	453,309	91,680	48,960	593,949

Table 6: Non-executive Directors fees for FY2015 and FY2014 (continued)

Non-executive Director	Period	Short-term benefits: Fees ($)	Short-term benefits: Committee fees ($)	Post-employment benefit[1]: Superannuation contributions ($)	Total fees ($)
Former Federation Non-executive Directors					
Bob Edgar[5]	**FY2015**	**410,208**	**-**	**18,637**	**428,845**
	FY2014	432,225	-	17,775	450,000
Clive Appleton[5]	**FY2015**	**139,000**	**34,750**	**16,507**	**190,257**
	FY2014	146,453	36,613	16,934	200,000
Fraser MacKenzie[3][5]	**FY2015**	**139,000**	**62,147**	**19,110**	**220,257**
	FY2014	146,453	36,613	16,934	200,000
Sub Total	**FY2015**	**688,208**	**96,897**	**54,254**	**839,359**
	FY2014	725,131	73,226	51,643	850,000
Total	**FY2015**	**1,318,904**	**270,491**	**128,000**	**1,717,395**
	FY2014	1,178,440	164,906	100,603	1,443,949

(1) Non-executive Directors receive no post-employment benefits other than statutory superannuation.

(2) Peter Hay's FY2016 annual Chairman fee will be $450,000 as per table 5. The amount shown in the remuneration table represents the fees received in the period.

(3) Additional payment of $30,000 for participation in the Due Diligence Committee.

(4) Appointed on 11 June 2015.

(5) Ceased to be a Director of Federation on 11 June 2015.

(6) Peter Kahan is paid via invoice therefore no superannuation contributions are made.

Other Board fees

During FY2015, Mr Hammon was also remunerated in the capacity as Non-executive Director of Retail Responsible Entity Limited (RREL), which is a wholly owned subsidiary of Federation and acts as the responsible entity for various Retail Direct Property syndicates.

Table 7 discloses the fees paid during FY2015 for his work as Non-executive Director of RREL and the total fees he received, including the fees earned in this capacity as Non-executive Director of Federation.

Table 7: Non-executive Director fees earned from other Group entities and from FDC for FY2014 and FY2015

Non-executive Director	Period	Fees earned from Other Group Entities: Board fees ($)	Fees earned from Other Group Entities: Non-monetary benefits ($)	Fees earned from Other Group Entities: Superannuation contributions ($)	Total FDC fees ($)	Total Board fees (RREL and FDC) ($)
Merged Group Non-executive Directors						
Tim Hammon	**FY2015**	**45,887**	**-**	**4,113**	**210,000**	**260,000**
	FY2014	46,136	-	3,864	180,000	230,000

Related party transactions with Directors and Executive KMP

The table below shows the securities held (directly or indirectly) by Directors and Executive KMP.

	Opening securities	Granted as remuneration	Additions during the year	Other movements	Closing
Directors					
Peter Hay(1)	37,291	-	-	-	37,291
Richard Haddock AM(1)	45,402	-	-	-	45,402
Tim Hammon(2)	10,000	-	-	-	10,000
Trevor Gerber(1)	20,563	-	-	-	20,563
Peter Kahan(1)	-	-	-	-	-
Charles Macek(2)	50,000	-	-	-	50,000
Karen Penrose(1)	20,563	-	-	-	20,563
Debra Stirling(2)	10,000	-	-	-	10,000
Wai Tang(2)(3)	-	-	980	-	980
David Thurin(1)	13,895,373	-	-	-	13,895,373
Bob Edgar(2)(7)	50,000	-	144	(50,144)	-
Clive Appleton(2)(3)(7)	11,850	-	48,178	(60,028)	-
Fraser MacKenzie(2)(3)(7)	92,887	-	1,694	(94,581)	-
Steven Sewell(2)(4)(5)	-	1,284,367	-	-	1,284,367
Total	**14,243,929**	**1,284,367**	**50,996**	**(204,753)**	**15,374,539**
FDC Executive KMP					
Richard Jamieson(1)	-	-	-	-	-
Stuart Macrae(1)	61,005	-	-	-	61,005
Jonathan Timms(4)	-	99,052	-	-	99,052
Peter Coroneo(4)(7)	-	69,737	-	(69,737)	-
Colleen Harris(4)(7)	-	101,033	-	(101,033)	-
Tom Honan(4)(6)(7)	19,072	219,082	-	(238,154)	-
Carolyn Reynolds(7)	-	-	-	-	-
Mark Wilson(4)(5)(7)	**-**	503,310	**-**	(503,310)	-
Total	**80,077**	**992,214**	**-**	**(912,234)**	**160,057**

(1) Reflects securities balance as at 11 June 2015, being the date of appointment as a Director/ FDC Executive KMP.

(2) The opening securities balance as 1 July 2014.

(3) The KMP held securities in Novion which were converted to FDC Securities at the Merger Ratio on 11 June 2015.

(4) Figures granted as remuneration include the deferred component of the FY2014 PRPS, subject to holding lock of between 18 – 24 months.

(5) Figures granted as remuneration include the FY2012 PRPL that vested in FY2015 as outlined at the bottom of table 3.

(6) Figures granted as remuneration include 50% of Tom Honan’s commencement benefit.

(7) Amounts included in “Other movement” reflect the closing balance of securities held on the date the KMP ceased to be a KMP (11 June 2015).

There were no other related party transactions or balances with Directors and Executive KMP or their controlled entities, in relation to securities held.

END REMUNERATION REPORT

Indemnification of auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made under this indemnity to Ernst & Young during or since the end of the financial year.

Auditor

Ernst & Young is the auditor of the Group and is located at 8 Exhibition Street, Melbourne, Victoria 3000.

Non-audit services

The Group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group are essential and will not compromise their independence.

Details of the amounts paid or payable to the auditor Ernst & Young for audit and non-audit services provided during the year are set out in Note 17 to the financial report.

The Board has considered the non-audit services provided during the year and is satisfied these services are compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

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 47.

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 Directors' report. Accordingly, amounts in the Directors' report have been rounded off to the nearest tenth of a million dollars ($m) in accordance with that Class Order, unless stated otherwise.

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

P A F Hay
Chairman

Ernst & Young
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Melbourne VIC 3000 Australia
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Auditor's Independence Declaration to the Directors of Federation Limited

In relation to our audit of the financial report of Federation Centres for the financial year ended 30 June 2015, 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 August 2015

Statement of Comprehensive Income

for the year ended 30 June 2015

	Note	30.06.15[1] $m	30.06.14[1] $m
Revenue			
Property ownership revenue		831.3	733.8
Management fee revenue from strategic partnerships		53.4	14.8
Interest and other revenue		5.1	11.7
Total revenue		**889.8**	**760.3**
Share of net profits of associates and joint venture partnerships accounted for using the equity method	6(a)	7.7	4.2
Property revaluation increment for directly owned properties	5(b)	430.9	70.2
Net movement on mark to market of derivatives		(23.5)	(23.0)
Direct property expenses		(222.8)	(219.1)
Borrowing costs	9(d)	(150.1)	(113.2)
Employee benefits expenses	15	(77.4)	(19.1)
Responsible Entity's base and performance fees		-	(35.8)
Other expenses from ordinary activities		(35.8)	(10.0)
Amortisation of intangible assets	7	(3.3)	(0.7)
Transaction costs	2(b)	(135.4)	(13.5)
Profit before tax for the financial year		**680.1**	**400.3**
Income tax expense	8(b)	(5.0)	(0.2)
Net profit for the financial year		**675.1**	**400.1**
Other comprehensive income		-	0.7
Total comprehensive income for the financial year		**675.1**	**400.8**
Net profit/(loss) for the financial year attributable to stapled securityholders as:			
Securityholders of the Parent		10.8	(2.3)
Securityholders of other stapled entities of the Group		664.3	402.4
Net profit for the financial year		**675.1**	**400.1**
Total comprehensive income/(loss) for the year attributable to stapled securityholders as:			
Securityholders of the Parent		10.8	(2.3)
Securityholders of other stapled entities of the Group		664.3	403.1
Total comprehensive income for the financial year		**675.1**	**400.8**
Earnings per security attributable to securityholders of the Parent:			
Basic earnings/(loss) per security (cents)	13	0.41	(0.10)
Diluted earnings/(loss) per security (cents)	13	0.39	(0.09)
Earnings per security attributable to securityholders of the Group:			
Basic earnings per security (cents)	13	25.56	16.57
Diluted earnings per security (cents)	13	25.21	16.53

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

(1) As described in Note 1(g) the current year represents 12 months for Novion Property Group (Novion) and 1 month for Federation Centres (Federation). The financial statements are presented as a continuation of Novion and comparative information is that of Novion for the full year to 30 June 2014.

Balance Sheet

as at 30 June 2015

	Note	30.06.15 $m	30.06.14[1] $m
Current assets			
Cash and cash equivalents		107.4	91.1
Receivables and other assets	4	123.5	68.6
Derivative financial instruments		-	1.4
Financial assets carried at fair value through profit or loss		6.3	-
Investments accounted for using the equity method	6	0.5	35.2
Total current assets		**237.7**	**196.3**
Non-current assets			
Investment properties	5(a)	14,109.7	8,830.4
Investments accounted for using the equity method	6	93.4	1.2
Plant and equipment		14.3	6.0
Intangible assets	7	891.4	363.9
Derivative financial instruments		87.1	-
Deferred tax assets	8(d)	84.3	63.3
Receivables and other assets	4	120.0	0.8
Total non-current assets		**15,400.2**	**9,265.6**
Total assets		**15,637.9**	**9,461.9**
Current liabilities			
Interest bearing liabilities	9	1,357.4	292.7
Distribution payable		336.5	205.2
Payables and other liabilities	10	199.5	136.4
Provisions	11	157.9	35.6
Derivative financial instruments		0.3	7.3
Total current liabilities		**2,051.6**	**677.2**
Non-current liabilities			
Interest bearing liabilities	9	2,945.7	2,611.4
Payables and other financial liabilities	10	38.9	1.5
Provisions	11	5.4	15.9
Derivative financial instruments		0.7	54.2
Total non-current liabilities		**2,990.7**	**2,683.0**
Total liabilities		**5,042.3**	**3,360.2**
Net assets		**10,595.6**	**6,101.7**

(1) As a result of the reverse acquisition as described in Note 1, these financial statements are presented as a continuation of Novion and comparative information is that of Novion unless otherwise noted.

Balance Sheet (continued)

as at 30 June 2015

	Note	30.06.15 $m	30.06.14[1] $m
Equity			
Securityholders of the Parent			
Contributed equity		481.1	224.1
Share-based payment reserve		11.5	-
Retained profits/(losses)		8.5	(2.3)
Total equity attributable to securityholders of the Parent		**501.1**	**221.8**
Securityholders of other stapled entities of the Group			
Contributed equity		8,012.1	3,914.9
Retained profits		2,082.4	1,965.0
Total equity attributable to securityholders of other stapled entities of the Group		**10,094.5**	**5,879.9**
Total equity		**10,595.6**	**6,101.7**

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

(1) As a result of the reverse acquisition as described in Note 1, these financial statements are presented as a continuation of Novion and comparative information is that of Novion unless otherwise noted.

Statement of Changes in Equity

for the year ended 30 June 2015

	Note	Attributable to securityholders of Parent				Attributable to securityholders of other entities stapled to Parent			
		Contributed equity $m	Reserves $m	Retained profits $m	Total $m	Contributed equity $m	Retained profits $m	Total $m	Total equity $m
As at 1 July 2013[1]		**5.6**	**-**	**(0.2)**	**5.4**	**3,787.3**	**1,971.8**	**5,759.1**	**5,764.5**
Net profit for the financial year		-	-	(2.3)	(2.3)	-	402.4	402.4	400.1
Other comprehensive income		-	-	-	-	-	0.7	0.7	0.7
Total comprehensive income for the financial year		**-**	**-**	**(2.3)**	**(2.3)**	**-**	**403.1**	**403.1**	**400.8**
Transactions with securityholders in their capacity as securityholders:									
Issue of securities, net of transaction costs		-	-	-	-	346.4	-	346.4	346.4
Capital distribution reinvested as equity		218.5	-	0.2	218.7	(218.8)	-	(218.8)	(0.1)
Distributions paid and payable		-	-	-	-	-	(409.9)	(409.9)	(409.9)
As at 30 June 2014		**224.1**	**-**	**(2.3)**	**221.8**	**3,914.9**	**1,965.0**	**5,879.9**	**6,101.7**
Net profit for the financial year		-	-	10.8	10.8	-	664.3	664.3	675.1
Other comprehensive income		-	-	-	-	-	-	-	-
Total comprehensive income for the financial year		**-**	**-**	**10.8**	**10.8**	**-**	**664.3**	**664.3**	**675.1**
Transactions with securityholders in their capacity as securityholders:									
Issue of stapled securities		4.4	-	-	4.4	117.4	-	117.4	121.8
Distributions paid and payable		-	-	-	-	-	(546.9)	(546.9)	(546.9)
Consideration issued on Merger	2	252.8	11.1	-	263.9	3,982.4	-	3,982.4	4,246.3
Share based payment		-	0.4	-	0.4	-	-	-	0.4
Equity raising costs on Merger		(0.2)	-	-	(0.2)	(2.6)	-	(2.6)	(2.8)
As at 30 June 2015		**481.1**	**11.5**	**8.5**	**501.1**	**8,012.1**	**2,082.4**	**10,094.5**	**10,595.6**

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

(1) As a result of the reverse acquisition as described in Note 1, these financial statements are presented as a continuation of Novion and comparative information is that of Novion unless otherwise noted.

Cash Flow Statement

for the year ended 30 June 2015

	Note	30.06.15[1] $m	30.06.14[1] $m
Cash flows from operating activities			
Receipts in the course of operations		987.2	923.7
Payments in the course of operations		(400.6)	(408.6)
Distributions and dividends received from associates and managed investments		3.0	3.6
Interest and other revenue received		3.1	1.0
Interest paid		(174.7)	(140.5)
Net cash inflows from operating activities	18	**418.0**	**379.2**
Cash flows from investing activities			
Payments for capital expenditure on investment properties		(198.8)	(249.6)
Payments for acquisition of investment properties		-	(92.4)
Proceeds from disposal of investment properties		267.0	104.9
Payments for plant and equipment and other investments		(7.7)	(0.6)
Proceeds for QV retail management		7.7	-
Proceeds from capital distribution from equity accounted investments		38.0	-
Net cash received/(paid) for business combination	2(a)	60.1	(437.0)
Transaction costs paid		(56.1)	(9.5)
Net cash inflows/(outflows) from investing activities		**110.2**	**(684.2)**
Cash flows from financing activities			
Stapled securities issued		-	295.0
Stapled security issue costs paid		(2.8)	(5.7)
Proceeds from borrowings		4,579.5	2,336.0
Repayment of borrowings		(4,690.0)	(1,897.1)
Distributions paid to external securityholders		(294.6)	(340.1)
Termination payments for derivatives		(95.6)	-
Debt establishment costs paid		(8.4)	(4.4)
Net cash (outflows)/inflows from financing activities		**(511.9)**	**383.7**
Net increase in cash and cash equivalents held		**16.3**	**78.7**
Cash and cash equivalents at the beginning of the financial year		**91.1**	**12.4**
Cash and cash equivalents at the end of the financial year		**107.4**	**91.1**

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

(1) As described in Note 1(g) the current year represents 12 months for Novion and 1 month for Federation. The financial statements are presented as a continuation of Novion and comparative information is that of Novion for the year ended 30 June 2014.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Federation Centres (or the Merged Group) comprises Federation Limited (the Company) and Federation Centres Trust No. 1 (the Trust). The Stapling Deed entered into by the Company and the Trust ensure that shares in the Company and units in the Trust are 'stapled' together and are traded collectively on the Australian Securities Exchange (ASX), under the ASX code 'FDC'.

On 11 June 2015, Federation Centres (Federation) and Novion Property Group (Novion) merged to create one of Australia's leading Real Estate Investment Trusts (the Merger). Under the terms of the Merger, each Novion Security was exchanged for 0.8225 Federation Securities (the Merger ratio), resulting in Federation as the legal acquirer and Novion as the legal acquiree. However, under accounting standards[(1)], the transaction is accounted for as a reverse acquisition and Novion is identified as the accounting acquirer and Federation is the accounting acquiree. As such, the consolidated financial statements represent a continuation of the financial statements of Novion and reflect a full year of Novion results plus Federation Group's results from the date of accounting acquisition, being 29 May 2015. Refer to Note 1(g)(ii) for further details. The comparative period information presented is of Novion and its controlled entities only, unless otherwise stated.

The comparative comprehensive income and equity attributable to securityholders of the parent reflects the contribution of Novion Limited. The amounts for Novion Trust are presented as attributable to other securityholders of the Group.

The principal accounting policies adopted in the preparation of this financial report are set out below and throughout the notes to the financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

As a result of the Merger described above, the presentation of certain items has been adjusted as necessary to provide more meaningful information in the context of the Merged Group. Where the presentation or classification of items in the financial report is amended, comparative amounts are also reclassified unless it is impractical. The adjustments made to the presentation of items had no impact on the net assets or net profit of the Group. Furthermore, there were no significant differences in accounting policies of the Merged Group that required adjustment in these financial statements.

(a) Statement of compliance with International Financial Reporting Standards

This general purpose financial report complies with Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial report, comprising the financial statements and the notes thereto, complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(b) Basis of preparation of financial statements

This general purpose financial report for the year ended 30 June 2015 has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. For the purpose of preparing financial statements, the Group is a for-profit entity. The financial report is presented in Australian dollars.

i. Going concern

Although the Group has a net current deficiency of $1,813.9 million (current liabilities exceed current assets) at reporting date, the Group has sufficient current undrawn borrowing facilities (refer to Note 9) and generates sufficient operating cashflows to meet its current obligations as they fall due. Accordingly, 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 and investment properties which have 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. Accordingly, amounts in this financial report have been rounded to the nearest tenth of a million dollars ($m), unless stated otherwise.

1 AASB 3 Business Combinations.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Principles of consolidation

The consolidated financial statements comprise the assets and liabilities of all controlled entities at 30 June 2015 and the results of all controlled entities for the financial year unless otherwise stated. Federation Centres and its controlled entities are collectively referred to in this financial report as the Group or Federation.

Controlled entities are all entities (including structured entities) over which the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Controlled entities are fully consolidated from the date on which control is transferred to the Group, and, where applicable, deconsolidated from the date on which control ceases.

The acquisition method of accounting is used to account for the acquisition of controlled entities, and the balances and effects of transactions between all controlled entities are eliminated in full.

In accordance with *AASB 3 Business Combinations*, Federation Limited is deemed to control the Federation Centres Trust No.1 and its controlled entities. The results and equity attributable to Federation Centres Trust No.1 (that is, the amounts shown as attributable to securityholders of other stapled entities of the Group) are shown prior to the elimination of transactions between Federation Limited and Federation Centres Trust No.1 since this best reflects the transfer of value caused by these transactions between the respective securityholders.

(d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised for the following activities:

i. Property ownership revenue

As the owner of a number of shopping centres, the Group derives rental revenue from the leasing of the retail space in these properties. Lease income is recognised on a straight-line basis over the lease term.

ii. Management fee revenue

Property management and leasing fees are generated from existing properties, and development fees are derived in respect of new developments and redevelopments. Funds management revenue relates to income received for the management of externally-owned properties, wholesale property funds and property mandates. Fees are in accordance with generally accepted commercial terms and conditions.

Fee revenue is recognised on an accruals basis as earned and when it can be reliably measured.

iii. Interest revenue

Interest revenue is recognised on a time proportion basis using the effective interest method.

(e) Impact of new and amended standards

AASB Interpretations 21 Levies clarifies that an entity recognises a liability for a levy when the activity that triggers payment as identified by the relevant legislation occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. The Group adopted Interpretations 21 and recognised a provision and asset in relation to levies as at 30 June 2015. No adjustment to prior year numbers has been made as the overall impact was not considered relevant to users of the financial statements.

There are no other new and amended standards that became effective for the Group on 1 July 2014 that have a material impact on the financial statements.

(f) 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 30 June 2015 reporting period. The Group 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 net assets, net profit, presentation or disclosures when these standards become effective and are adopted.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Critical accounting estimates and judgements

Certain judgements, estimates and assumptions that affect the amounts reported in the financial statements are required in preparation of the financial statements. These judgements and estimates are based on historical experience and other various factors considered to be reasonable under the circumstances, but which are inherently uncertain and unpredictable, the result of which form the basis of the carrying values of assets and liabilities. As a result, actual results could differ from those estimates.

The areas where a higher degree of judgement or complexity arises, or areas where assumptions and estimates are significant to these financial statements, are detailed below:

i. Accounting for the Merger as a reverse acquisition

Federation completed the legal acquisition of Novion on 11 June 2015.

Under accounting standards, Novion has been identified as the accounting acquirer for the Merged Group. A number of factors were considered including:

- Novion comprises approximately 64% of the net assets of the combined Group;
- Executive committee composition; and
- Directors composition including non-independent directors.

Accordingly, the transaction has been accounted for as a reverse acquisition with the consolidated financial statements of Federation being prepared as a continuation of Novion. Novion as the accounting acquirer has consolidated Federation from the accounting acquisition date of the Merger (29 May 2015). Refer to Note 2 for details of the business combination. The comparative information from 1 July 2013 to 30 June 2014 presented in the consolidated financial statements is that of Novion, unless otherwise stated.

Specifically, the implications of reverse acquisition accounting on these financial statements are explained in the table below.

	30.06.15	**30.06.14**
Statement of Comprehensive Income	1 month Federation + 12 months Novion	12 months Novion only
Balance Sheet comprises	Federation + Novion	Novion only
Statement of Changes in Equity Cash Flow Statement	1 month Federation + 12 months Novion	12 months Novion only
Number of securities on issue at the end of the year	Federation	Novion securities retrospectively adjusted based on Merger ratio
Weighted average number of securities on issue calculated as:	11 months of Novion securities retrospectively adjusted based on Merger ratio + 1 month of Federation securities (Refer Note 13)	Novion securities retrospectively adjusted based on Merger ratio (Refer Note 13)
Key Management Personnel (KMP) for accounting (refer to Note 15)	Novion- pre-merger Federation- post-merger (Refer to Note 1(g)(vii))	Novion only
KMP for Remuneration Reporting	Federation	Federation

ii. Accounting acquisition date of the Merger

The Schemes of Arrangement of the Company and Trust to effect the Merger were approved by Novion securityholders on 27 May 2015 and the NSW Supreme Court on 29 May 2015, being the effective date of the Schemes. The Implementation Date, the date of transfer of all Scheme securities to Federation and issue of the securities to Novion securityholders, was 11 June 2015. However, given all significant conditions precedent to the Merger were satisfied when the NSW Supreme Court approved the Scheme on 29 May 2015 the accounting acquisition date of the Merger is 29 May 2015.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Critical accounting estimates and judgements (continued)

iii. Valuation of investment properties

Investment properties are carried at their fair value. Fair value is determined based on either an independent (external) valuation or an internal valuation that is supported by the extrapolation of independent valuations on similar properties. Valuations are determined based on assessments and estimates of uncertain future events, including upturns and downturns in property markets, availability of similar properties, vacancy rates, market rents, capitalisation and discount rates. Refer to Note 5(c) for further information regarding investment property valuations.

iv. Valuation of derivatives and foreign currency denominated notes

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.

v. Impairment testing of goodwill and intangibles

The Group tests annually whether goodwill and intangibles have suffered any impairment in accordance with its accounting policy. The recoverable amounts of the cash-generating units have been determined based on a fair value less costs of disposal model. These calculations require the use of assumptions. Refer to Note 7 for details of these assumptions and the potential impact of changes to the assumptions on the recoverable amount of intangibles.

vi. Recognition of deferred tax assets

The deferred tax assets consist of both future deductible items and tax losses. Based on forecasts, it is probable the Group will earn sufficient taxable income to utilise the deferred tax assets in future periods. Unrecognised deferred tax assets at the balance sheet date amounted to $19.8 million. These temporary differences will be reviewed on an annual basis and may be recognised at a later date if considered likely to be utilised. Refer to Note 8 for further details on deferred tax balances.

vii. Structure of Remuneration Report and determination of Key Management Personnel (KMP)

As required by the *Corporations Act 2001,* Federation Limited is required to identify its KMP throughout the year. As Federation Limited is the parent of the stapled group, and the legal acquirer for the purposes of the Merger, it has been determined that the KMP that are disclosed in the Remuneration Report are those of Federation Limited.

2. MERGER OF FEDERATION CENTRES AND NOVION PROPERTY GROUP

As described in Note 1, Federation and Novion merged to create one of Australia's leading Real Estate Investment Trusts. Under accounting standards, the Merger has been accounted for as a reverse acquisition. Consequently, although Federation is the legal acquirer, for accounting purposes, Novion is identified as the accounting acquirer.

(a) Consideration transferred and net assets acquired

As a result of the reverse acquisition, the determination of the consideration transferred is based on the fair value of Novion securities at the date of accounting acquisition. As Novion was an ASX listed entity pre-Merger, this fair value can be referenced to the Novion listed share price at the acquisition date.

The Merger involved the combination of Novion and Federation by way of scrip for scrip exchange. Each Novion security was exchanged for 0.8225 Federation securities, resulting in non-cash consideration and non-cash equity issued. The accounting standards determine that the consideration transferred is calculated as the number of securities that Novion would have had to issue to Federation securityholders, if Novion was the legal acquirer, to give Federation securityholders the same percentage equity interest of approximately 36% in the Group that results from the Merger. This number, calculated as 1,735.7 million, is multiplied by the closing security price of Novion on the acquisition date, being $2.44, to determine the purchase consideration of $4,235.2 million.

The fair value of the net assets of Federation, which is the acquired entity for accounting purposes, is as follows:

	Fair value **$m**
Cash	60.1
Trade and other receivables	169.4
Investment properties	4,734.4
Investments accounted for using the equity method	92.5
Intangible assets: Management contracts	72.6
Non-current assets classified as held for sale	200.0
Deferred tax assets	25.9
Other assets	10.7
Total assets	**5,365.6**
Trade creditors and other payables	133.5
Interest bearing liabilities	1,394.8
Derivative financial instruments	23.2
Provisions and other liabilities	26.0
Net identifiable assets acquired	**3,788.1**

The goodwill arising from the Merger is calculated as the difference between the fair value of the consideration transferred and the fair value of the net assets acquired as follows:

	$m
Purchase consideration - scrip for scrip	4,235.2
Add: fair value of Federation share-based payment awards outstanding at Merger date	11.1
Less: net assets acquired	(3,788.1)
Goodwill arising on Merger	**458.2**

Refer to Note 7 for details of the goodwill arising from the Merger and other intangible assets.

2. MERGER OF FEDERATION CENTRES AND NOVION PROPERTY GROUP (continued)

(b) Acquisition-related costs

The following acquisition related costs are included in the Statement of Comprehensive Income:

	30.06.15 $m	30.06.14 $m
Merger costs	131.5	-
Novion internalisation costs	3.9	13.5
Total transaction costs	**135.4**	**13.5**
Recognised in comprehensive income	135.4	13.5

The following table outlines the Merger costs by the nature of expense:

	30.06.15 $m
Stamp duty	62.5
Consultancy and Legal	37.9
Debt related expenses	21.4
Other expenses	9.7
Total Merger costs	131.5

(c) Other disclosures

From 29 May 2015 to 30 June 2015, the business combination contributed revenues of $43.3 million and net loss of $78.2 million to the Group. The one month loss was primarily a result of transaction costs incurred on finalisation of the Merger. Had the Merger occurred on 1 July 2014, total revenue for the Group, combining Federation and Novion would have been $1,386.8 million and net statutory profit would have been $1,135.4 million not adjusting for any Merger related adjustments.

3. 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 (CODM) (which for the Group is the Chief Executive Officer (CEO)) in assessing performance and in determining the allocation of resources.

The Group's operating segments are as follows:

(i) Property Investment: This segment comprises net property income derived from investment in retail property.

(ii) Strategic Partnerships: This segment comprises fee income from property management, development and leasing and management of wholesale property funds and property mandates.

Other income and expenses are unallocated.

The Group operates in Australia and all revenue is derived in Australia. No single tenant or group under common control contributed to more than 10% of the Group's statutory revenues.

The CODM assesses the performance of the segments based on underlying earnings. Underlying earnings is an earnings measure, calculated as statutory net profit, adjusted for fair value adjustments, certain unrealised and non-cash items, and other items that are non-recurring or capital in nature.

Accounting policies

The accounting policies used by the Group in reporting segment information are the same as those detailed throughout this report for the year ended 30 June 2015, unless otherwise noted.

(a) Segment results

	Federation 12 months to 30.06.15 $m	Novion 12 months to 30.06.15 $m	Aggregated Group[1] 12 months to 30.06.15 $m	(Novion only) 12 months to 30.06.14 $m
Property Investment segment				
Net property income	346.6	581.6	928.2	541.2
Strategic Partnership segment				
Property management, development and leasing fees	13.4	40.6	54.0	11.9
Funds management fees	2.2	11.5	13.7	2.9
Unallocated				
Other income	-	-	-	9.2
Total income	**362.2**	**633.7**	**995.9**	**565.2**
Corporate overheads (net of recoveries)	(39.6)	(64.3)	(103.9)	(53.4)
Net interest expense	(61.2)	(144.5)	(205.7)	(110.9)
Other expenses	(1.5)	(1.7)	(3.2)	(0.5)
Underlying earnings	**259.9**	**423.2**	**683.1**	**400.4**

(1) Aggregated information represented 12 months results of Federation and Novion for the period ended 30 June 2015. Refer Note 1 for accounting for the Merger.

3. SEGMENT INFORMATION (continued)

(b) Reconciliation of underlying earnings to net profit after tax for the financial year

	30.06.15 $m	30.06.14 $m
Total underlying earnings	**683.1**	**400.4**
Subtract Federation Group underlying earnings prior to the Merger	(239.0)	-
Non-distributable items:		
Property revaluation increments(1)	433.7	70.8
Net movement on mark to market of derivatives(2)	(23.0)	(23.0)
Transaction costs(3)	(135.4)	(13.5)
Amortisation of intangibles(4)	(3.3)	(0.7)
Amortisation of project items(5)	(21.7)	(19.6)
Income tax expense(6)	(5.0)	(0.2)
Rent lost from undertaking developments(7)	(12.5)	(7.8)
Straight-lining revenue(8)	6.4	(1.6)
Other non-distributable items	(8.2)	(4.7)
Net profit after tax for the financial year	**675.1**	**400.1**

The material adjustments to net profit to arrive at underlying earnings for the year are described below. For reasons outlined below, each item has been excluded to better reflect underlying earnings.

(1) Net profit includes movements in the fair value of investment properties in accordance with Australian Accounting Standards. Similarly, movements in the value of the underlying investment properties of the Group's equity accounted investments of $2.8 million are required by Australian Accounting Standards, but do not reflect the cash distributions received from these investments.

(2) Fair value movements in derivatives comprise mark-to-market movements required by Australian Accounting Standards for valuation purposes, including realised and unrealised amounts.

(3) The Group has incurred costs in relation to the internalisation of Novion management which was effected on 24 March 2014 and the Merger transaction (refer to Note 2) in the current year. These are one-off costs and are not expenses incurred in ordinary operations.

(4) Net profit includes amortisation of intangible assets. This is a non-cash expense.

(5) Certain payments such as lease incentives, leasing fees and legal fees relating to development projects are capitalised in investment properties. Amortisation of these items is recognised as an expense in accordance with Australian Accounting Standards but is not an expense incurred in ordinary operations.

(6) The Group is entitled to significant tax deductions. As a result, income tax expense in the current year is a non-cash amount funded through utilisation of the deferred tax assets.

(7) In underlying earnings, the Group recognises rent lost from undertaking developments in net property income. This income does not meet the definition of revenue under Australian Accounting Standards and is therefore not recognised in statutory net profit after tax.

(8) Straight-lining rental revenue, which is required by Australian Accounting Standards, is an unrealised non-cash amount.

3. SEGMENT INFORMATION (continued)

(c) Reconciliation of segment income to total revenue

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 investment properties, services revenue earned from management of assets on behalf of strategic partners or wholesale funds and distributions received from managed fund investments. Therefore, to reconcile to total revenue per the Statement of Comprehensive Income, 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:

	30.06.15 $m	30.06.14 $m
Total segment income	**995.9**	**565.2**
Adjusted for:		
Federation Group segment income prior to the Merger	(333.0)	-
Net property income from equity accounted investments not shown in revenue per the Statement of Comprehensive Income	(5.1)	(3.6)
Straight-lining revenue	6.4	(1.6)
Net expenses directly attributable to direct property investments deducted in determining direct property investment income	220.5	198.9
Interest and other revenue not included in segment income	5.1	1.4
Total revenue per Statement of Comprehensive Income	**889.8**	**760.3**

(d) Segment assets and liabilities

The property investment segment reported to the CODM includes investment properties held directly and those that are included in equity accounted investments. The property investment values are measured in a manner consistent with the Balance Sheet. A breakdown of the total investment properties in the property investment segment is shown below:

	30.6.15 $m	30.6.14 $m
Investment properties per Balance Sheet	14,109.7	8,830.4
Investment properties included in equity accounted investments	245.4	35.2
Total investment property segment	**14,355.1**	**8,865.6**

All other assets and liabilities are unallocated.

4. RECEIVABLES AND OTHER ASSETS

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Debts that are individually known to be uncollectable are written off when identified. An allowance account (provision for doubtful debts) is used when there is objective evidence that the Group may not be able to collect all amounts due according to the original terms of the receivables.

		30.06.15 $m	30.06.14 $m
Current			
Trade debtors		25.3	9.4
Accrued income		23.3	10.6
Performance fees accrual		8.0	14.0
Receivable from CBA for loss of QV management		-	7.7
Receivables from strategic partnerships		11.7	2.6
Distribution receivable from joint ventures and associates		8.2	0.9
Less: Provision for doubtful debts		(6.9)	(5.1)
Total receivables		**69.6**	**40.1**
Prepayments		9.9	8.5
Levies		13.5	-
Security deposits receivable		8.9	8.6
Other		21.6	11.4
Total current receivables and other assets		**123.5**	**68.6**
Non-current			
Related party loans and receivables	6(c)	117.4	-
Investment in related party		2.6	0.8
Total non-current receivables and other assets		**120.0**	**0.8**

(a) Credit risk

The majority of the Group's earnings is derived from rental income. There is a possibility that tenants may default on their rental or other obligations under leases with the Group, leading to the reduction in income received.

Procedures have been established to ensure that the Group deals only with approved counterparties with good financial standing, and the risk of loss is mitigated.

Tenant risk assessment is performed taking into consideration the financial background of the tenant and the amount of any guarantee provided under the lease. Derivative counterparties and cash transactions are limited to high credit quality financial institutions.

Counterparty exposure is measured as the aggregate of all obligations of any single legal entity or economic entity to the Group, after allowing for appropriate set offs that are legally enforceable. The maximum exposure to credit risk at the balance date is the carrying amount of the Group's financial assets.

The Group does not hold any collateral in relation to trade or other receivables, other than security deposits or bank guarantees as is usual in leasing agreements.

4. RECEIVABLES AND OTHER ASSETS (continued)

(b) Past due but not impaired

The Group considers receivables that have not been paid for 30 days after the invoice date as past due. These relate to a number of individual customers for whom there is no recent history of default.

Of the $76.5 million trade and related party receivables outstanding, $14.1 million, which represents approximately 1% of total combined revenue, is considered past due. The Group monitors these trade receivables that are past due and actively seeks prompt recovery. Where there are indicators that full recovery will not occur, provision is made for these amounts as disclosed in (c) below.

Related party loans that are not settled after notice of payment has been issued by the Group are considered past due. There are no related party loans or receivables that are past due.

(c) Impairment provision

The Group has recognised a loss of $1.8 million (June 2014: $1.6 million) in respect of impaired trade receivables during the year ended 30 June 2015. The loss has been included in “other expenses from ordinary activities” in the Statement of Comprehensive Income.

5. INVESTMENT PROPERTIES

The Group’s investment properties are initially measured at cost including transaction costs. Costs incurred subsequent to initial acquisition are capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the asset will flow to the Group.

Subsequent to initial recognition, investment properties are revalued to fair value. Changes in fair values are recorded in the Statement of Comprehensive Income in the period in which they arise.

Investment properties are derecognised when disposed of. The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the date of disposal and the net proceeds from disposal. It is included in the Statement of Comprehensive Income in the same reporting period as the year in which disposal occurs.

Investments in joint operations

Included in investment properties are shopping centres that are accounted for as joint operations – in the form of a partial interest in a shopping centre with a strategic partner, based on standard market joint operation agreements. The Group accounts for joint operations by recognising its share of the shopping centre, classified as investment property, and its share of other assets, liabilities, income and expenses from the use and output of the joint operation.

(a) Summary of portfolio

	Federation Limited and its Controlled Entities[(1)]					
Shopping Centre Type	**30.06.15**			**30.06.14[(1)]**		
	Number of properties	**Value $m**	**Weighted average cap rate %**	**Number of properties**	**Value $m**	**Weighted average cap rate %**
Super-regional	1	1,875.1	5.0	1	1,682.3	5.3
Major Regional	7	3,075.1	5.8	3	1,928.4	5.8
Regional	12	2,523.3	6.7	7	1,675.8	7.0
CBD Retail	4	1,666.5	5.6	4	1,566.5	5.7
Retail Outlet/Other	5	952.2	6.8	4	784.8	7.1
Sub-regional	37	3,197.2	7.1	8	1,110.5	7.8
Neighbourhood and other	22	820.3	7.1	2	82.1	8.6
Total	**88**	**14,109.7**	**6.3**	**29**	**8,830.4**	**6.3**

(1) As a result of the reverse acquisition as described in Note 1, these financial statements are presented as a continuation of Novion and comparative information is that of Novion unless otherwise noted.

5. INVESTMENT PROPERTIES (continued)

(b) Movements for the year

A reconciliation of the carrying amount of investment properties at the beginning and end of the financial year is as follows:

	30.06.15 $m	30.06.14 $m
Opening balance	8,830.4	8,526.6
Investment properties acquired through business combination[1]	4,734.4	-
Capital expenditure[2]	192.8	242.6
Capitalised interest[3]	10.4	35.9
Acquisitions	-	87.6
Disposals	(67.0)	(104.9)
Property revaluation increment	430.9	70.2
Amortisation of incentives and leasing fees	(28.6)	(26.0)
Straight-lining of rent adjustment	6.4	(1.6)
Closing balance	**14,109.7**	**8,830.4**

(1) Federation's investment properties were acquired by Novion as part of the Merger described in Note 2.

(2) Capital expenditure includes redevelopment costs, additions and lease incentives.

(3) Borrowing costs incurred in the construction of qualifying assets have been capitalised at a weighted average rate of 5.3% (June 2014: 5.5%).

(c) Fair value measurement, valuation techniques and inputs

The Group has classified fair value measurements into the following hierarchy as required by *AASB 13 Fair Value Measurement*:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Investment properties are considered Level 3 of the fair value hierarchy. The Group determines fair value for each investment property by reference to external valuations undertaken by registered valuers at intervals of not more than one year. Additionally, internal valuations are performed for some properties in the portfolio. Carrying value is equal to the most recent independent or internal valuation, adjusted for subsequent capital and development expenditure and amortisation adjustments. The independent valuer typically uses the following valuation techniques:

- **Capitalisation of net income method:** An assessment is made of fully leased annual net income based on contracted rents, market rents, operating costs and future income on vacant space. The adopted fully leased annual net income is capitalised in perpetuity from the valuation date at an appropriate capitalisation rate. The capitalisation rate reflects the nature, location and tenancy profile of the property together with current market investment criteria, as evidenced by current sales evidence. Various adjustments are made to the calculated result, including estimated future incentives, capital expenditure, and reversions to market rent, to determine fair value.
- **Discounted cash flows (DCF) method:** Projected cash flows for a selected investment period (usually 10 years) are derived from contracted rents, market rents, operating costs, lease incentives, lease fees, capital expenditure and future income on vacant space. The cash flows assume the property is sold at the end of the investment period for a terminal value. This terminal value is calculated by capitalising in perpetuity assumed rents at the end of the investment period by an appropriate terminal yield. Fair value is determined to be the present value of these projected cash flows, which is calculated by applying an appropriate discount rate to the cash flows. The discount rate is a market assessment of the risk associated with the cash flows, and the nature, location and tenancy profile of the property relative to returns from alternative investments, CPI rates and liquidity risk.
- **Residual value method:** Used for properties undergoing development. The value of the asset on completion is calculated using the capitalisation of net income and DCF methods as described above, based on the forecast income profile on completion. The estimated cost to complete of the development, including construction costs and associated expenditures, finance costs, and an allowance for developer's risk and profit is deducted from the value of the asset on completion to derive the current value.

5. INVESTMENT PROPERTIES (continued)

(c) Fair value measurement, valuation techniques and inputs (continued)

- **Direct comparison:** The sales comparison approach utilises recent sales of comparable properties, adjusted for any differences including the nature, location and lease profile, to indicate the fair value of a property. Where there is a lack of recent sales, adjustments are made to previous comparable sales to reflect changes in economic conditions.

The capitalisation of income and DCF methods require assumptions for inputs that are not based on observable market data. At reporting date, the key unobservable inputs used by the Group in determining fair value of its investment properties are summarised below:

Unobservable inputs	Range of inputs	Weighted average inputs	Sensitivity
Capitalisation rate(1)	5.0%-10.0%	6.30%	The higher the discount rate, terminal yield, capitalisation rate and expected vacancy period, the lower the fair value
Discount rate(2)	8.0%-10.25%	8.50%	
Terminal yield(3)	5.25%-10.25%	6.54%	
Expected vacancy period	2 months- 12 months	4 months	
Rental growth rate	2.50%-4.60%	3.70%	The higher the rental growth rate, the higher the fair value

(1) The capitalisation rate is the required annual yield of net market income used to determine the value of the property. The rate is determined with regards to comparable market transactions.

(2) The discount rate is a required annual rate of return used to convert a forecast cashflow of an asset into a present value. Theoretically it should reflect the required rate of return of the property given its risk profile relative to competing uses of capital. The rate is determined with regards to comparable market transactions.

(3) The terminal yield is the capitalisation rate used to convert forecast annual income into a forecast asset value at the end of the holding period when carrying out a discounted cash flow calculation. The rate is determined with regards to comparable market transactions and the expected risk of the asset at the end of the cashflow period.

All of the above key assumptions have been taken from the latest independent (external) valuation reports.

For all investment properties the current use equates to the highest and best use.

(d) Valuation process

The Group's investment properties are independently (externally) valued at intervals of not more than one year, unless otherwise stated. Independent (external) valuations are performed by appropriately qualified valuers who are authorised by law to carry out such valuations, and have at least five years property valuations experience (including at least two years within Australia). Valuers are selected from a pre-approved panel of major property consultancy firms. For all properties not independently valued in the last two months, management undertakes an internal valuation or desktop review, as outlined below, to determine whether there is an indication that carrying values do not materially reflect fair value and whether a new independent valuation should be commissioned.

The Group's practice is to have investment properties externally valued in May, June, November or December. Therefore, at reporting date, the majority of investment properties have been independently (externally) valued within the last seven months. The valuation approach adopted by Federation and Novion for all properties that were not independently valued in the last two months is outlined in the section below. The methodology outlined under the "Federation approach" will be applied for all properties at 31 December 2015.

Federation approach (internal valuations)

Internal valuations are undertaken and reviewed by management at reporting date for all properties not externally valued. Movements in Investment Properties, based on internal valuations, are recognised in the financial statements, as long as the variance between the last external valuation and the internal valuation is less than 10%. If the variance is greater than 10%, an external valuation is undertaken.

The internal valuations adopted by Federation use industry software which models properties applying the latest available financial data. The internal valuations are based on the 'capitalisation of net income method' as the primary valuation, with a cross-check using a discounted cash flow analysis. Properties that have sale agreements in place are valued at the agreed sale amount. Properties under development are valued at the last external valuation (prior to project commencement) plus development expenditure.

5. INVESTMENT PROPERTIES (continued)

(d) Valuation process (continued)

A relativity review against the broader portfolio is also undertaken to check the overall valuation movement and this includes a detailed comparison to the last independent (external) valuation completed for each asset. In addition to the above, a director of an independent valuation firm reviews the rationale and accuracy of assumptions adopted in completing the internal valuations and the reasonableness of the outcomes.

Novion approach (desktop reviews)

At balance date, Novion undertakes a 'desktop' or internal review of all assets not scheduled for an external independent valuation. If there is a significant variance between the internal valuation and the last independent valuation, an external independent valuation is undertaken (refer to table below). For investment properties that are not independently (externally) valued at balance date, the carrying value or book value of the asset is adopted as the market or fair value of the asset (last independent valuation plus additional capital expenditure).

Desktop reviews determine whether or not to undertake an independent valuation. The calculation from the review is compared to the carrying value of the asset. Depending on the variance between the outcome of the desktop review and the carrying value the following action is taken:

Variance	Action
≥ than 10% for an individual asset	An external independent valuation will be commissioned for that reporting period.
≥ than 5% but ≤ than 10% for an individual asset	The CEO will determine whether or not to undertake an external valuation. Reasons for this decision must be documented and reported to the Board.
≤ than 5% for an individual asset	No action is taken.

The valuation policy is governed by the Board with input from key executives as required. The policy is reviewed periodically by the Board to take into account any regulatory changes, changes in market conditions, and any other requirements that would need to be adopted in the valuation process.

(e) List of investment properties held

i. Super regional

	Ownership interest %	Valuation type	Date of last valuation	Last valuation $m	Carrying value(1) 30.06.15 $m	30.06.14 $m
Chadstone Shopping Centre	50	External	Dec-14	1,825.0	1,875.1	1,682.3
Total super regional					**1,875.1**	**1,682.3**

ii. Major Regional

	Ownership interest %	Valuation type	Date of last valuation	Last valuation $m	Carrying value(1) 30.06.15 $m	30.06.14 $m
Bayside Shopping Centre	100	External	May-15	556.3	556.2	561.2
Chatswood Chase Sydney	100	External	May-15	951.5	952.1	889.7
Northland Shopping Centre	50	External	May-15	482.5	482.5	477.5
Bankstown Central	50	External	Jun-15	320.0	321.0	-
Galleria	50	Internal	Jun-15	360.0	361.1	-
Roselands	50	External	Jun-15	179.2	181.6	-
The Glen	50	Internal	Jun-15	218.1	220.6	-
Total Major Regional					**3,075.1**	**1,928.4**

Refer to footnotes at the end of Note 5(e).

5. INVESTMENT PROPERTIES (continued)

(e) List of investment properties held (continued)

iii. Regional

	Ownership interest %	Valuation type	Date of last valuation	Last valuation $m	Carrying value[1] 30.06.15 $m	Carrying value[1] 30.06.14 $m
Grand Plaza Shopping Centre	50	External	Jun-15	190.0	191.0	174.0
Broadmeadows Shopping Centre	100	External	May-15	333.3	333.7	316.0
Eastlands Shopping Centre	100	External	Nov-14	158.8	162.7	165.2
Elizabeth Shopping Centre	100	External	May-15	367.8	368.2	357.5
Forest Hill Chase	100	External	May-15	281.7	281.7	270.3
Rockingham Shopping Centre	50	External	Jun-15	280.0	280.3	273.5
Runaway Bay Shopping Village	50	External	Jun-15	127.5	127.5	119.3
Colonnades	50	Internal	Jun-15	145.0	150.8	-
Cranbourne Park	50	External	Jun-15	130.5	130.5	-
Mandurah Forum	50	Internal	Jun-15	156.3	159.5	-
Mount Ommaney	25	Internal	Jun-15	104.1	104.1	-
Toombul	100	Internal	Jun-15	233.0	233.3	-
Total Regional					**2,523.3**	**1,675.8**

iv. CBD Retail

	Ownership interest %	Valuation type	Date of last valuation	Last valuation $m	Carrying value[1] 30.06.15 $m	Carrying value[1] 30.06.14 $m
Myer Centre Brisbane	50	External	Nov-14	382.5	384.2	375.0
Myer Bourke Street[7]	33	External	Dec-14	122.7	122.8	114.5
Emporium Melbourne[7]	50	External	May-15	490.0	489.6	442.0
QueensPlaza, Brisbane	100	External	May-15	670.0	669.9	635.0
Total CBD Retail					**1,666.5**	**1,566.5**

v. Retail Outlet/Other

	Ownership interest %	Valuation type	Date of last valuation	Last valuation $m	Carrying value[1] 30.06.15 $m	Carrying value[1] 30.06.14 $m
DFO Essendon[2]	100	External	Dec-14	152.5	152.9	141.5
DFO Homebush	100	External	Dec-14	321.0	320.0	270.9
DFO Moorabbin[3]	100	External	May-15	108.5	108.6	100.0
DFO South Wharf[4]	75	External	May-15	311.2	311.6	272.4
Indooroopilly Central	100	Internal	Jun-15	59.0	59.1	-
Total Retail Outlet/Other					**952.2**	**784.8**

Refer to footnotes at the end of Note 5(e)

5. INVESTMENT PROPERTIES (continued)

(e) List of investment properties held (continued)

vi. Sub regional

	Ownership interest %	Valuation type	Date of last valuation	Last valuation $m	Carrying value[1] 30.06.15 $m	Carrying value[1] 30.06.14 $m
Altona Gate Shopping Centre	100	External	Nov-14	85.5	86.9	78.5
Brimbank Shopping Centre	100	External	May-15	165.2	165.5	156.4
Castle Plaza Shopping Centre	100	External	Nov-14	144.9	152.7	151.8
Clifford Gardens Shopping Centre	100	External	Dec-14	185.8	188.5	168.6
Corio Shopping Centre	100	External	Nov-14	123.3	123.8	117.0
Lake Haven Shopping Centre	100	External	Nov-14	265.5	268.3	253.2
Northgate Shopping Centre	100	External	May-15	96.2	96.2	90.6
Roxburgh Park Shopping Centre	100	External	May-15	105.3	105.2	94.4
Carlingford Court	50	Internal	Jun-15	101.5	101.5	-
Karratha City	50	External	Jun-15	57.4	57.5	-
Sunshine Marketplace	50	External	Jun-15	55.0	56.0	-
Toormina Gardens	50	Internal	Jun-15	40.0	40.0	-
Warriewood Square	50	Internal	Jun-15	75.0	87.7	-
Brandon Park	50	External	Jun-15	58.2	58.2	-
West End Plaza	100	External	Jun-15	59.0	59.0	-
Armidale Central	100	External	Jun-15	44.5	44.5	-
Belmont Village	100	Internal	Jun-15	44.5	44.5	-
Box Hill North	100	External	Jun-15	70.0	70.0	-
Box Hill South	100	Internal	Jun-15	144.0	144.4	-
Buranda Village	100	Internal	Jun-15	38.0	38.1	-
Goulburn Plaza	100	Internal	Jun-15	67.0	67.2	-
Gympie Central	100	External	Jun-15	75.0	75.0	-
Kurralta Central	100	Internal	Jun-15	35.5	35.7	-
Lavington Square	100	Internal	Jun-15	56.0	56.0	-
Maddington Central	100	Internal	Jun-15	114.0	114.4	-
Maitland Hunter Mall	100	Internal	Jun-15	12.8	16.8	-
Mornington Central	100	Internal	Jun-15	61.8	61.8	-
Mount Gambier Central	100	Internal	Jun-15	24.5	24.8	-
Nepean Village	100	Internal	Jun-15	142.0	142.1	-
Taigum Square	100	External	Jun-15	89.2	89.3	-
Tweed Mall	100	Internal	Jun-15	79.0	79.0	-
Warwick Grove	100	Internal	Jun-15	174.0	174.1	-
Warwick Cinema	100	External	Jun-15	10.0	10.0	-
Warnbro Centre	100	Internal	Jun-15	122.0	122.0	-
Westside Plaza	100	Internal	Jun-15	33.5	33.6	-
Whitsunday Central	100	Internal	Jun-15	59.5	59.6	-
Wodonga Plaza	100	External	Jun-15	47.0	47.3	-
Total Sub regional					**3,197.2**	**1,110.5**

Refer to footnotes at the end of Note 5(e)

5. INVESTMENT PROPERTIES (continued)

(e) List of investment properties held (continued)

vii. Neighbourhood and other

	Ownership interest %	Valuation type	Date of last valuation	Last valuation $m	Carrying value[1] 30.06.15 $m	Carrying value[1] 30.06.14 $m
Currambine Central	100	Internal	Jun-15	74.0	87.3	-
Halls Head Central	50	Internal	Jun-15	16.6	22.1	-
Lennox Village	50	Internal	Jun-15	30.3	30.3	-
Bentons Square[5]	100	Internal	Jun-15	77.1	76.8	-
Albany Brooks Garden	100	External	Jun-15	25.0	25.1	-
Dianella Plaza	100	Internal	Jun-15	72.0	72.2	-
Flinders Square	100	Internal	Jun-15	30.3	30.3	-
Goldfields Plaza	100	External	Jun-15	25.0	25.0	-
Hilton Plaza	100	Internal	Jun-15	19.0	19.0	-
Katherine Oasis	100	Internal	Jun-15	27.9	27.9	-
Kalamunda Central	100	Internal	Jun-15	36.8	36.8	-
Lutwyche City	100	Internal	Jun-15	65.0	65.0	-
Milton Village	100	Internal	Jun-15	22.0	22.0	-
Monier Village	100	External	Jun-15	19.9	19.9	-
North Shore Village	100	Internal	Jun-15	20.8	20.8	-
Oxenford Village	100	External	Jun-15	26.5	26.5	-
Terrace Central	100	External	Jun-15	31.5	31.5	-
Stirlings Central	100	Internal	Jun-15	48.0	48.0	-
The Gateway	100	Internal	Jun-15	38.8	38.8	-
Victoria Park Central	100	External	Jun-15	27.0	27.0	-
Oakleigh Central	100	External	Jun-15	58.0	58.0	-
Bowes Street	100	External	Nov-14	9.5	10.0	11.0
Post Office Square, Brisbane, QLD[6]					-	71.1
Total Neighbourhood and other					**820.3**	**82.1**

(1) Carrying value equals independent valuation, adjusted for subsequent capital expenditure and amortisation of lease incentives. Carrying value may also include capital works in progress excluded from valuations.

(2) The title to this property is leasehold with 33 years remaining on the ground lease.

(3) The title to this property is leasehold with 19 years remaining on the ground lease.

(4) The title to this property is leasehold with 94 years remaining on the ground lease.

(5) The Group acquired 50% of Bentons Square as part of the Merger 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, with a deferred settlement on the remaining 50%. The deferred settlement is recognised as an other financial liability in Note 10.

(6) On 27 November 2014, Post Office Square was sold for $67 million.

(7) The titles to these properties are leasehold with 291 years remaining on the ground leases.

(f) Operating lease receivables

The investment properties are leased to tenants under operating leases with rentals payable monthly. Future minimum rental revenue receivables under non-cancellable operating leases of investment properties are as follows:

	30.06.15 $m	30.06.14 $m
Not later than one year	906.4	519.9
Later than one year and not later than five years	2,286.3	1,254.3
Later than five years	1,317.4	791.6
Total operating lease receivables	**4,510.1**	**2,565.8**

6. 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:

	Ownership		Carrying value	
	30.06.15	**30.06.14**	**30.06.15**	**30.06.14**
	%	**%**	**$m**	**$m**
Tuggeranong Hyperdome	50.0	-	21.7	-
Victoria Gardens Shopping Centre	50.0	-	70.8	-
Bent St Trust (current asset)	50.0	50.0	0.5	35.2
Novion Asset Operations Pty Ltd (formerly CFSP Asset Management Pty Ltd)	33.3	50.0	0.9	1.2
			93.9	**36.4**

(a) Movements for the year for investments accounted for using the equity method

	30.06.15	**30.06.14**
	$m	**$m**
Opening balance	36.4	33.6
Acquired through business combination	92.4	-
Additional investments made during the period	0.3	0.7
Share of net profits from equity accounted investments	7.7	4.2
Distributions	(42.9)	(5.6)
Distributions re-invested	-	3.5
Closing balance	**93.9**	**36.4**

(b) Summarised financial information for material investments accounted for using the equity method

	30.06.15	**30.06.14**	**30.06.15**	**30.06.14**
	$m	**$m**	**$m**	**$m**
	Tuggeranong Hyperdome		**Victoria Gardens**	
Investment properties - non current	280.1	-	210.6	-
Interest bearing liabilities - non-current	(234.8)	-	(68.0)	-
Other net assets/(liabilities)	(1.9)	-	(1.0)	-
Net assets	**43.4**	**-**	**141.6**	**-**
Total income	2.8	-	1.7	-
Aggregate net profits after income tax	0.3	-	0.9	-
Interest expense	(1.2)	-	(0.2)	-
Receivables from investments accounted for using the equity method	2.9	-	3.5	-

6. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

(c) Related party transactions with equity accounted investments

i. Novion Asset Operations Pty Ltd (NAO) (associate entity)

For the financial year ended 30 June 2015, rent and outgoings paid/payable by NAO as tenant of centres to the Group was $12,842,000 (June 2014: $11,965,000). Dividends, payable to the Group, declared by NAO for the financial year were $2,198,000 (June 2014: $1,372,000). The amount of dividends receivable by the Group at 30 June 2015 was nil (June 2014: nil).

ii. Tuggeranong Hyperdome (joint venture)

The Group has a loan receivable from Tuggeranong Hyperdome of $117,387,000 as at 30 June 2015. The interest received for the month of June 2015 was $522,000. At 30 June 2015, $242,000 remains payable to the Group. The Group also has other payables to Tuggeranong Hyperdome of $310,000 at balance date.

iii. Victoria Gardens (joint venture)

Victoria Gardens was acquired as part of the Merger. The asset management fees incurred for the month of June 2015 were $64,400. At 30 June 2015, $71,000 remains payable to the Group.

7. INTANGIBLE ASSETS

30.06.15	Goodwill $m	Indefinite life management rights $m	Finite life management rights $m	Total $m
Opening carrying value	254.5	97.1	12.3	363.9
Arising from business combinations (refer to Note 2)	458.2	72.6	-	530.8
Transfer between categories	-	(5.5)	5.5	-
Amortisation charge	-	-	(3.3)	(3.3)
Carrying value	**712.7**	**164.2**	**14.5**	**891.4**

30.06.14	Goodwill $m	Indefinite life manageme nt rights $m	Finite life management rights $m	Total $m
Opening carrying value	-	-	-	-
Arising from business combinations	254.5	97.1	13.0	364.6
Amortisation charge	-	-	(0.7)	(0.7)
Carrying value	**254.5**	**97.1**	**12.3**	**363.9**

(a) Management rights

The management contracts, which reflect the right to provide asset and fund management services in accordance with the management agreements, are recognised as a result of business combinations. They were recognised at their fair value at the date of Novion's internalisation of management from the Commonwealth Bank of Australia (CBA) and Merger. Certain management rights that are considered to have a finite life are subsequently amortised on a straight-line basis depending on the timing of the projected cash flows under the management agreements. Finite intangibles are determined based on termination dates reflected in the management agreements (with consideration given to renewals). The Group amortises intangible assets with a finite life using the straight-line method over periods ranging from 2.5 to 10 years.

Certain management rights, primarily those associated with strategic partners who co-own assets with the Group and that have management agreements without termination dates are considered to have indefinite useful lives. Indefinite life intangibles are tested for impairment annually.

(b) Impairment tests for goodwill and indefinite life management contracts

Goodwill is tested for impairment annually and is attributed to the "property investment" cash generating unit. Goodwill relates to the internalised management of the owned properties and the portfolio premium associated with being a large listed REIT. Goodwill effectively represents the incremental value created in relation to the Group investment properties by replacing property management fees with an internalised cost structure (asset management business) and the premium observed for listed REITs relating to liquidity, diversified portfolio and ability to obtain and attract debt funding.

The recoverable amount has been determined using a fair value less cost of disposal. In order to value the incremental value of the internal cost structure, portfolio premium and to support goodwill, an Enterprise Value (EV) approach has been undertaken.

The EV calculation is based on the following key assumptions:

- Cash flows for forecast underlying earnings for a 3 year period to 30 June 2018;
- Growth rates of 2.5% beyond the forecast period and as part of a terminal value;
- Historical levels of operational capital expenditure and corporate tax expense; and
- Post-tax discount rates of 7.75% to 8.25%.

Sensitivities to discount rates have been tested and the Group has determined that no reasonably possible changes would give rise to impairment at 30 June 2015.

8. DEFERRED AND CURRENT TAX

Current and deferred taxes are recognised in accordance with applicable accounting standards. Income tax expense or benefit for the year is the tax payable on the current year's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities.

(a) Group tax position

All of the Group's entities are domiciled in Australia and fall within the jurisdiction of the Australian Taxation Office. As stated in Note 1, the Group comprises Federation Limited (the Company) and Federation Centres Trust No. 1 (the Trust) and their respective controlled entities. The Stapling Deed entered into by the Company and the Trust ensures that shares in the Company and units in the Trust are "stapled" together and are traded collectively on the Australian Securities Exchange (ASX), under the ASX code 'FDC'.

i. The Company and its controlled entities (the Companies)

The Companies have implemented the tax consolidation legislation. Following the Merger (refer Note 2), Federation Limited became the head entity in the tax consolidated group. Prior to the Merger, Novion Limited was the head entity. The head entity accounts for its own current and deferred tax amounts and assumes those from controlled entities in the tax consolidated group. These tax amounts are measured as if each entity in the tax consolidated group continues to be a standalone taxpayer in its own right. Where appropriate, deferred tax assets and liabilities are offset as permitted by accounting standards.

Members of the tax consolidated group have entered into a tax funding arrangement which sets out the funding obligations of members of the tax consolidated group in respect of tax amounts. The tax funding arrangement requires payments to/from the head entity to be recognised via an inter-entity receivable/payable which is at call.

ii. The Trust and its controlled entities (the Trusts)

Under current Australian income tax legislation the Trusts are not liable to pay Australian income tax, including capital gains tax, provided that unitholders are presently entitled to the income of the Trusts as determined under the Trust Constitutions. As a result, the Group has zero income tax expense recognised in respect of the Trusts profit as the tax obligations are distributed to unitholders of the Trusts. Distributions declared are subject to income tax in the hands of unitholders.

(b) Income tax expense

The Group's current tax expense and deferred tax assets or liabilities recognised are:

	30.06.15 $m	30.06.14 $m
Current income tax expense	(0.4)	(4.3)
Deferred income tax (expense)/benefit	(4.3)	4.1
Adjustment for current year tax of prior periods	(0.3)	-
Income tax expense	**(5.0)**	**(0.2)**

(c) Reconciliation between income tax expense and prima facie tax benefit

	30.06.15 $m	30.06.14 $m
Profit before tax for the financial year	680.1	400.3
Less: Profit attributed to entities not subject to tax (refer 8 (a)(ii))	(664.3)	(399.4)
	15.8	0.9
Prima facie income (expense) at 30%	(4.7)	(0.3)
Tax effect of amounts not taxable in calculating income tax expense:		
Non-deductible stamp duty and other capital items	(1.6)	-
Share of after tax profits from equity-accounted investments	0.3	0.1
Prior period adjustments	(0.3)	-
Other non-assessable items	1.3	-
Income tax expense	**(5.0)**	**(0.2)**

8. DEFERRED AND CURRENT TAX (continued)

(d) Deferred tax assets

The deferred tax assets balance comprises temporary differences attributable to:

	30.06.15 $m	30.06.14 $m
Provisions	19.4	17.3
Plant and equipment	8.0	2.1
Tax losses	38.0	10.5
Termination of funds management contracts	23.9	38.6
Intangible assets	(4.3)	(5.3)
Other	(0.8)	-
Net deferred tax asset recognised in income tax benefit	**84.2**	**63.2**
Stapled security issue costs	0.1	0.1
Deferred tax asset recognised in equity	**0.1**	**0.1**
Total net deferred tax assets	**84.3**	**63.3**

(e) Movement in temporary differences

	Provisions $m	Intangible assets $m	Other $m	Termination of funds management contracts $m	Tax losses $m	Total $m
At 1 July 2013	**0.1**	**-**	**-**	**-**	**-**	**0.1**
Acquired through business combination	13.3	(5.5)	2.1	53.3	0.1	63.3
Business related costs	-	-	-	(14.7)	14.7	-
Charged:						
- to profit	3.9	0.2	-	-	(4.3)	(0.2)
- directly to equity	-	-	0.1	-	-	0.1
At 30 June 2014	**17.3**	**(5.3)**	**2.2**	**38.6**	**10.5**	**63.3**
Acquired through business combination	7.4	-	4.9	-	13.6	25.9
Business related costs	-	-	-	(14.7)	14.7	-
Charged:						
- to profit	(5.3)	1.0	0.1	-	(0.8)	(5.0)
- directly to equity	-	-	0.1	-	-	0.1
At 30 June 2015	**19.4**	**(4.3)**	**7.3**	**23.9**	**38.0**	**84.3**

The Group is entitled to tax deductions resulting from the termination of funds management contracts in March 2014. A deferred tax asset of $84.3 million is recognised, based on forecasts, as it is probable the Group will earn sufficient taxable income in future periods to utilise the tax deductions. Unrecognised deferred tax assets at 30 June 2015 are $19.8 million and will be reviewed on an annual basis and may be recognised at a later date if considered likely to be recovered.

8. DEFERRED AND CURRENT TAX (continued)

(f) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST) except where:

- the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables and payables in the Balance Sheet. Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, that is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

9. INTEREST BEARING LIABILITIES

Interest bearing liabilities are initially recognised based on the net proceeds received, which equals fair value, net of transaction costs incurred. For interest bearing liabilities acquired as part of a business combination, the initial recognition is based on the fair value at the date of acquisition. Interest bearing liabilities, other than foreign currency denominated notes, are subsequently measured at amortised cost using the effective interest method.

Foreign currency denominated notes, which qualify for hedge accounting, are carried at amortised costs plus the fair value of the hedged foreign currency risk. Changes in fair value are recorded in the Statement of Comprehensive Income.

The following table outlines the Group's interest bearing liabilities at balance date:

	30.06.15 $m	30.06.14 $m
Current liabilities		
Unsecured		
Medium-term notes	440.0	100.0
Short-term notes	-	100.0
US medium term notes (US MTNs)(1)	648.9	-
Convertible notes	270.4	92.8
Deferred debt costs(2)	(1.9)	(0.1)
Total current liabilities	**1,357.4**	**292.7**
Non-current liabilities		
Unsecured		
Bank loans(3)	2,380.9	1,307.0
Medium-term notes	250.0	690.0
US medium term notes	-	325.3
Convertible notes	-	299.5
Secured		
Medium-term notes	328.7	-
Deferred debt costs(2)	(13.9)	(10.4)
Total non-current liabilities	**2,945.7**	**2,611.4**
Total interest bearing liabilities	**4,303.1**	**2,904.1**

(1) The US MTNs are classified as current at 30 June 2015 as a result of the Merger which resulted in the right (exercisable until 21 July 2015) for all investors to redeem their US MTNs at par plus accrued interest. Approximately 1% of US MTNs were redeemed. The remaining US MTNs are non-current at the date of this report in line with their contractual maturities.

(2) Deferred debt costs comprises the unamortised value of borrowing costs on establishment or refinance of debt facilities. 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.

(3) The Group's bank loans include a $1.8 billion bridge loan which is classified as a non-current liability. The terms of the bridge loan include two extension options of 6 months each, resulting in an unconditional right of the Group to defer repayment until June 2017, as long as the Group has complied with, and is not in breach or default of, the terms of the bridge loan.

9. INTEREST BEARING LIABILITIES (CONTINUED)

(a) Financing facilities

The Group has the following facilities available:

	30.06.15 $m	30.06.14 $m
Total facilities available	6,904.9	3,318.0
Amount drawn	(4,188.5)	(2,925.0)
Total undrawn facilities	**2,716.4**	**393.0**

(1) Total debt facilities is reduced by bank guarantees of $2.7 million drawn against bank debt facilities

The carrying amount of the US MTNs, convertible notes and secured MTNs in the Balance Sheet includes adjustments for fair value items of $130.4 million (June 2014: ($10.4) million). These fair value adjustments are excluded from the calculation of total facilities available and amounts drawn. Additionally, deferred debt costs of $15.8 million are not reflected in the amount drawn.

(b) Defaults on debt obligations

At 30 June 2015, the Group had no defaults on debt obligations (June 2014: None).

(c) Breaches of lending covenants

At 30 June 2015, the Group had no breaches of lending covenants (June 2014: None).

(d) Borrowing costs

Borrowing costs consist of interest and other costs that an entity incurs in connection with borrowing funds such as establishment fees, legal fees and renegotiation fees.

Borrowing costs are expensed to the Statement of Comprehensive Income using the effective interest rate method, except for borrowing costs incurred for the development of investment property which are capitalised to the cost of the investment property during the period of development.

	30.06.15 $m	30.06.14 $m
Interest expense	146.9	132.6
Non-cash notes interest expense	-	1.2
Amortisation of borrowing costs	13.6	15.3
Less: capitalised borrowing costs	(10.4)	(35.9)
Total borrowing costs	**150.1**	**113.2**

9. INTEREST BEARING LIABILITIES (continued)

(e) Liquidity risk

The Group is exposed to liquidity risk primarily from its interest bearing liabilities. The Group actively manages this risk by maintaining sufficient capacity under its 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 debt capital markets), and managing the amount of borrowings that mature or facilities that expire in any one year.

The contractual maturity of interest bearing liabilities and the interest payment profile is shown below. Estimated interest payments are calculated based on the forward interest rates prevailing at year end. Timing of payments is based on current contractual obligations which may not align to the classifications of current and non-current liabilities. Refer to Note 10 for details on trade and other liabilities that are not included in the table below.

30 June 2015	**Less than 1 year $m**	**1 to 3 years $m**	**Greater than 3 years $m**	**Total $m**	**Carrying amount $m**
Bank loans(1)	-	2,380.9	-	2,380.9	2,380.9
Medium term notes	440.0	-	550.0	990.0	1,018.7
US medium term notes	-	177.6	386.7	564.3	648.9
Convertible notes	270.4	-	-	270.4	270.4
Estimated interest payments on borrowings	148.1	168.2	195.3	511.6	N/A
Estimated net interest rate swap cash outflow/(inflow)	2.2	(0.1)	(3.2)	(1.1)	(1.4)
Estimated gross cross currency swap cash outflows	17.0	207.6	500.8	725.4	N/A
Estimated gross cross currency swap cash inflows	(25.8)	(228.9)	(597.3)	(852.0)	(84.7)
Total contractual outflows	**851.9**	**2,705.3**	**1,032.3**	**4,589.5**	**4,232.8**

(1) Assumes $1.8 billion unsecured bridge facility has been extended for a period of 12 months at the Group's election.

30 June 2014	**Less than 1 year** $m	**1 to 3 years** $m	**Greater than 3 years** $m	**Total** $m	**Carrying amount** $m
Bank loans	77.0	152.0	1,078.0	1,307.0	1,307.0
Medium term notes	100.0	440.0	250.0	790.0	790.0
Short term notes	100.0	-	-	100.0	100.0
US medium term notes	-	148.6	155.7	304.3	325.3
Convertible notes	92.3	300.0	-	392.3	392.3
Estimated interest payments on borrowings	131.0	185.0	101.8	417.8	N/A
Estimated net interest rate swap cash outflow	19.0	31.3	22.4	72.7	51.0
Estimated net cross currency swap cash outflows	11.5	199.1	153.0	363.6	N/A
Estimated net cross currency swap cash inflows	(11.4)	(171.4)	(141.5)	(324.3)	10.5
Total contractual outflows	**519.4**	**1,284.6**	**1,619.4**	**3,423.4**	**2,976.1**

9. INTEREST BEARING LIABILITIES (continued)

(f) Interest rate risk

The Group's interest rate risk arises from its variable interest rate borrowings. Policies and limits are implemented in respect of the use of derivative instruments and fixed rate borrowings to hedge the cash flows subject to interest rate risk. The proportion of hedging reduces as term to maturity extends. The Group's hedging policy has been approved by the Board and is monitored by management and regularly reported to the Board. The Group's hedging policy does not permit derivatives to be entered into for speculative purposes.

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, 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:

	30.06.15 $m	30.06.14 $m
Total interest bearing liabilities	4,303.1	2,904.1
Add: Deferred debt costs	15.8	10.5
Less/ Add: fair value adjustment of US MTNs	(84.7)	10.4
Less: fair value adjustment on secured MTNs acquired on Merger	(28.7)	-
Less: fair value adjustment on convertible notes	(17.0)	-
Less: Fixed rate borrowings	(1,283.4)	(1,122.3)
Net variable rate borrowings exposed to cash flow interest rate risk at 30 June	**2,905.1**	**1,802.7**
Less: Notional principal of outstanding interest rate swap contracts	(1,804.2)	(1,425.0)
Representative net variable rate borrowings exposed to cash flow interest rate risk after effect of interest rate swaps	**1,100.9**	**377.7**
Total drawn debt	**4,188.5**	**2,925.0**
Hedged ratio	**74%**	**87%**

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 30 June 2015 remains unchanged for the next 12 months, would impact the Group's cash interest cost for the next 12 months by $2.8 million (June 2014: $1.0 million).

The fair values of derivatives used by the Group are sensitive to interest rate and foreign exchange risks.

This sensitivity analysis should not be considered a projection.

9. INTEREST BEARING LIABILITIES (continued)

(g) Foreign exchange rate risk

Foreign exchange risk is the risk that the value and cash flows of a financial commitment, asset or liability will fluctuate due to changes in foreign exchange rates. As the Group holds borrowings denominated in a foreign currency, namely USD, it is therefore exposed to this risk in the absence of effective hedging.

This risk is managed through the use of cross-currency swaps which hedge the changes in the fair value of the USD denominated debt relating to changes in foreign currency exchange rates and the benchmark USD interest rate, in accordance with the hedging objectives set out by the Group.

The hedge relationship is highly effective, as all key terms of the hedge instruments, being the consolidated notional principal of the cross-currency swaps and the consolidated underlying cash flows, coincide with the hedged item.

At 30 June 2015, the Group has the following net exposure to foreign currency translation risk:

	30.06.15 US$m	**30.06.14 US$m**
Total interest bearing liabilities in foreign currency	449.0	249.0
Less: Notional value of cross currency swaps (pay A$ receive US$)	(449.0)	(249.0)
Net exposure to foreign currency translation risk	-	-
Hedge ratio	100%	100%

The Group is 100% hedged and has no exposure to foreign currency translation or fair value risk.

(h) Derivative financial instruments

As at 30 June 2015, the Group holds derivative financial instruments relating to interest rate swaps and cross currency swaps as outlined throughout Note 9.

The derivative instruments above are held to hedge against interest rate risk and foreign currency risk of the Group's borrowings and not for speculative purposes. The fair value and carrying amount of these derivative instruments is disclosed in Note 9(e).

The fair value of derivatives are estimated using valuation techniques, including use of reference to current fair value of other instruments that are substantially the same or discounted cash flow techniques. Valuation methodologies are observable inputs, mainly interest rates and interest rate curves as well as foreign currency rates. As such, the derivative instruments held by the Group are classified as Level 2 in the fair value hierarchy.

A shift in the forward interest rate curve of +/- 25 bps, assuming the net exposure to fair value interest rate risk as at 30 June 2015 remains unchanged for the next 12 months, would impact the Group's net profit for the next 12 months by $14.2 million (June 2014 +/-25bps: $12 million).

(i) Fair value of borrowings

As at 30 June 2015, the Group's debt has a fair value of $4,355.7 million (June 2014: $2,993.6 million).

The difference between the carrying amount and fair value is due to fixed rate borrowings held. The fair value of fixed rate borrowings is calculated by discounting the contractual cashflows using the yield to maturity or prevailing market discount rates for market fixed interest debt instruments, with similar terms, maturity and credit quality. Had the fixed debt been recognised at fair value, these would have been classified as Level 2 under the fair value hierarchy as the market discount rates used are indirectly observable.

9. INTEREST BEARING LIABILITIES (continued)

(j) Capital risk management

As a result of the Merger, the Group has undertaken a significant refinance of its existing facilities. The Merged Group will look to maintain a strong and conservative capital structure with appropriate liquidity, a strong balance sheet and a diversified debt profile (by source and tenor). The Group manages all or part of its exposure to adverse fluctuations in interest rates and exchange rates by entering into interest rate and currency hedging arrangements including derivative financial instruments.

The Group monitors its bank facilities to debt capital markets debt ratio. The Group's total available facilities by type at 30 June 2015 are detailed in the table below:

Facility type	Tenor	Amount $m
Bridge facility	1 year (Classified as non-current due to option to extend for a further period of up to 12 months at the Merged Group's election)	1,800.0
Bank debt	2 years	960.0
Bank debt	3 years	840.0
Bank debt	4 years	800.0
Bank debt	5 years	700.0
Total bank facilities		**5,100.0**
US MTNs	2 – 14 years	564.2
MTNs	1- 6 years	990.0
Convertible notes	1 year	253.4
Total capital market debt		**1,807.6**
Total debt facilities available to the Group		**6,907.6**
Bank facilities as a proportion of total debt facilities		**74%**
Capital market debt as a proportion of total debt facilities		**26%**

The Group has a long term credit rating of 'A-' from Standard & Poor's.

10. PAYABLES AND OTHER LIABILITIES

These amounts represent liabilities for goods and services provided to the Group prior to the end of the reporting period and that are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are carried at amortised cost and are not discounted due to their short term nature.

	30.06.15 $m	30.06.14 $m
Trade payables and accrued expenses	80.6	27.2
Performance fees payable	8.0	19.2
Rents received in advance	26.1	12.6
Accrued interest expense	13.6	26.3
Accrued capital expenditure	51.4	31.9
Security deposits	9.5	10.3
Other	10.3	8.9
Total current liabilities	**199.5**	**136.4**
Other financial liability[1]	38.9	-
Other	-	1.5
Total non-current liabilities	**38.9**	**1.5**

(1) Refer footnote (5) in Note 5(e).

At 30 June 2015, the carrying value of payables and other liabilities approximated their fair value. All payables are expected to be due and payable within the next three months.

11. PROVISIONS

Provisions comprise liabilities arising from employee benefits such as leave pay and long service leave, as well as provisions for stamp duty for which the amount or timing of the settlement is uncertain as it is outside the control of the Group.

Short term employee benefits are recognised as a liability when the employee has rendered the service and measured as the undiscounted amount of short term employee benefits expected to be paid in exchange for that service.

Other long term employee benefits are recognised and measured using an actuarial technique, the projected unit credit method, to make a reliable estimate of the ultimate cost to the entity of the benefit that employees have earned in return for their service in the current and prior periods.

Where the provisions are not expected to be settled wholly before 12 months after the end of the annual reporting period in which the obligation arises, the liability is discounted to present value based on management's best estimate of the timing of settlement and the expenditure required to settle the liability at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and risks specific to the liability.

	30.06.15 $m	30.06.14 $m
Current provisions		
Employee entitlements	60.8	35.6
Provision for stamp duty	74.9	-
Provision for levies	13.5	-
Other	8.7	-
Total current provisions	**157.9**	**35.6**
Non-current provisions		
Employee entitlements	5.4	15.9
Total non-current provisions	**5.4**	**15.9**

The movements for the year in provisions other than employee entitlements are as follows:

	30.06.15 $m	30.06.14 $m
Carrying amount at the beginning of the financial year	-	-
Acquired through business combination	16.5	-
Additional provision recognised as part of Merger	62.5	-
Amounts paid during the year	(2.4)	-
Provided for during the year	20.5	-
Carrying amount at the end of the financial year	**97.1**	**-**

12. CONTRIBUTED EQUITY

An ordinary stapled security comprises one share in the Company and one unit in the Trust. Ordinary stapled securities entitle the holder to participate in distributions and the proceeds on winding up of the Group in proportion to the number of securities held.

Ordinary stapled securities are classified as equity.

Incremental costs directly attributable to the issue of new stapled securities are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new stapled securities for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

(a) Impact of Merger on capital structure

As described in Note 1, the Merger of the Group is accounted for as a reverse acquisition. The financial statements are presented as a continuation of Novion as the accounting acquirer. However, the equity structure reflects the equity structure of the legal acquirer being Federation, including the equity interests Federation issued to effect the combination. Accordingly, the equity structure of Novion is restated using the Merger ratio of 0.8225.

The number of securities of the Group is as follows:

	Restated at Merger ratio (0.8225) 30.06.15 m	Novion pre-Merger 30.06.15 m	Restated at Merger ratio (0.8225) 30.06.14 m	Previously reported 30.06.14 m
Opening balance at the beginning of the year	2,482.3	3,018.1	2,326.4	2,828.5
Issue of stapled securities – Dividend Reinvestment Plan	48.5	58.9	24.5	29.8
Issue of stapled securities – Employee Share Acquisition Plan (ESAP)	0.2	0.3	-	-
Securities issued to effect the Merger	1,427.6	n/a	-	-
Issue of stapled securities – other	-	-	131.4	159.8
Total securities on issue at the end of the year	**3,958.6**	**n/a**	**2,482.3**	**3,018.1**

The following equity transactions represented non-cash financing and investing activities:

	30.06.15 $m	30.06.14 $m
Stapled securityholders distributions reinvested	121.2	56.9
Issue of stapled securities – Employee Share Acquisition Plan (ESAP)	0.6	-
Securities issued to effect Merger (refer to Note 2)	4,246.3	-
Total non-cash financing and investing activities	**4,368.1**	**56.9**

(b) Distribution reinvestment plan (DRP)

A Novion distribution reinvestment plan was in place for the period through to the Merger, with the issue price being calculated as a 2% discount to Novion's weighted average market price for the 10 trading days commencing on the second trading day after June 2014 and December 2014 record dates. No DRP is in place at 30 June 2015.

13. EARNINGS PER SECURITY

	30.06.15	30.06.14
Earnings per security attributable to securityholders of the Parent:		
Basic earnings/(loss) per security (cents)	0.41	(0.10)
Diluted earnings/(loss) per security (cents)	0.39	(0.09)
Earnings per security attributable to securityholders of the Group:		
Basic earnings per security (cents)	25.56	16.57
Diluted earnings per security (cents)	25.21	16.53

Basic earnings per security is determined by dividing the net profit after income tax attributable to securityholders of the Group divided by the weighted average number of stapled securities and their equivalents outstanding during the reporting period.

Diluted earnings per security adjusts the figures used in the determination of basic earnings per security by taking into account the interest and other financing costs associated with dilutive potential ordinary securities and the weighted average number of securities assumed to have been issued for no consideration in relation to dilutive potential ordinary securities.

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

	30.06.15 $m	30.06.14 $m
Earnings used in calculating basic earnings per security of the parent	10.8	(2.3)
Earnings used in calculating diluted earnings per security of the parent	**10.8**	**(2.3)**
Earnings used in calculating basic earnings per security of the Group	675.1	400.1
Adjusted for:		
Borrowing costs attributable to convertible notes	17.4	24.4
Less: Amount capitalised in qualifying assets	(1.7)	(3.6)
Earnings used in calculating diluted earnings per security of the Group	**690.8**	**420.9**

As required by Accounting Standards, the Merger has been accounted for as a reverse acquisition (refer Note 1 (g)(i)). Accordingly, the calculation of the weighted average number of securities outstanding during the period in which a reverse acquisition occurred is as follows:

- the number of securities outstanding from the beginning of the period to the date of the Merger, calculated on the weighted average number of securities of Novion outstanding during the period multiplied by the Merger exchange ratio, plus
- the number of securities outstanding from the date of the Merger to the end of the period, based on the actual number of ordinary shares of Federation outstanding during that period.

For the comparative period, the weighted average number of securities shown is the historical weighted average number of Novion securities outstanding multiplied by the Merger exchange ratio.

The following weighted average number of security amounts are used in the denominator in calculating earnings per stapled security:

Weighted average number of securities	30.06.15 m	Restated at Merger ratio (0.8225) 30.06.14 m	Previously reported 30.06.14 m
Weighted average number of securities used as the denominator in calculating basic earnings per security	2,641.3	2,414.4	2,935.4
Adjustment for potential dilution from performance rights granted	2.3	-	-
Adjustment for potential dilution from convertible notes	97.4	131.2	159.6
Weighted average number of securities and potential securities used as the denominator in calculating the diluted earnings per security	2,741.0	2,545.6	3,095.0

14. NET TANGIBLE ASSET BACKING PER STAPLED SECURITY

	30.06.15 $m	30.06.14 $m
Net assets attributable to securityholders of the Group	10,595.6	6,101.7
Less: Intangible assets	(891.4)	(363.9)
Net tangible assets attributable to securityholders of the Group	**9,704.2**	**5,737.8**
Number of securities outstanding at the end of the year (million)	3,958.6	2,482.3
Net tangible asset backing per stapled security ($)	**2.45**	**2.31**

15. EMPLOYEE BENEFITS EXPENSES

	30.06.15 $m	30.06.14 $m
Salaries and wages	64.3	15.6
Share-based payments expenses	2.4	-
Other employee benefits expenses	10.7	3.5
Total employee benefit expenses	**77.4**	**19.1**

Impact of the Merger

As the Merger has been accounted for from 29 May 2015, the current year employee benefits expense includes 12 months of Novion and one month of Federation.

Impact of internalisation of management

In March 2014, Novion internalised its management from the Commonwealth Bank of Australia (CBA). Prior to the internalisation, Novion paid management fees to CBA under funds management and property management agreements. Post internalisation, these fees were replaced with an internalised cost structure. The prior year employee benefits expense represents the period from 24 March 2014 to 30 June 2014.

Key Management Personnel Compensation

The remuneration of the Key Management Personnel (KMP) of Federation, as the legal acquirer, is disclosed on pages 15 to 45 of the Remuneration Report. The compensation of KMP included in the Group financial statements comprises:

- The remuneration of the Novion KMP up to the date of Merger; and
- The remuneration of the Merged Group KMP from the date of the Merger to 30 June 2015.

Refer to Note 1(g)(vii) for the impacts of KMP determination as a result of the Merger. Accordingly, the remuneration of the KMP's presented below does not reconcile to that presented in the Remuneration Report.

The aggregate remuneration of the KMP included as an expense in these financial statements is as follows:

	30.06.15 $'000	30.06.14 $'000
Short-term employee benefits – Executive KMP	8,991	1,430
Short-term employee benefits – Non - Executive KMP	1,872	363
Termination benefits	2,613	-
Share-based payments	2,384	-
Post-employment benefits	225	50
Other long-term employee benefits	64	-
Total remuneration of KMP of the Group[(1)]	**16,149**	**1,843**

(1) The portion of KMP remuneration that was incurred as a result of the Merger has been included in transaction costs in the Statement of Comprehensive Income. Additionally, the total comparative remuneration of KMP represents the period 24 March 2014 to 30 June 2014, as a result of the internalisation of management from CBA.

16. SHARE-BASED PAYMENTS

Total share based payment expense for the year

The following expenses were recognised during the year relating to share-based payments described below:

	30.06.15 $m	30.06.14 $m
Share based payment expense included in employee expenses	2.4	-
Share based payment expense included in transaction costs	3.3	-
Total	**5.7**	**-**

Novion share based payments plan

During the year, key executives and management were granted performance rights under the Novion Long Term Incentive Plan (Novion LTIP). The plan had a performance period of 3 years. At the conclusion of the three year period, subject to two financial measures being met, the rights would vest. Upon vesting of the Novion LTIP rights, the employee was entitled to receive stapled securities in Novion.

As a result of the Merger, all Novion share based payment arrangements were vested and settled in cash. Any remaining unvested obligations were cancelled. This resulted in an expense and cash payout of $5.1 million. The proportion of Novion share based payments expense that was triggered by the change in control from the Merger has been included in transaction costs in the current period.

Federation share based payments plan

The Federation share based payment plan has remained unchanged and will continue to be used going forward to provide long term compensation benefits to employees. Certain Federation executives were awarded with Group securities under the Long Term Performance Reward Payment Plan (PRPL or the Plan). Generally, the fair value of the securities granted is determined at the grant date and recognised as an expense in the Statement of Comprehensive Income with a corresponding increase in the share-based payment reserve component of equity, over the vesting period. However, as a result of the Merger and reverse acquisition as noted in Note 1, all existing PRPL grants at the Merger date were fair valued. On a continuing basis, any expense relating to these grants is recognised based on the revised fair value calculated at the Merger date.

The fair value of the grants is determined using a recognised option pricing model that takes into account the exercise price, the term of the option, the security price at grant date and expected price volatility of the underlying security, the expected dividend yield and the risk free interest rate for the term of the option.

Senior Executive Long Term Performance Reward Payment (PRPL or the Plan)

(a) Plan description

The Plan is designed to align executives' interests with those of securityholders by incentivising participants to deliver long term shareholder returns. Under the Plan, participants are granted performance rights that have dual performance measures whereby a portion of the rights granted have a relative Total Securityholder Return (TSR) vesting hurdle and the remaining portion have an underlying Earnings per Security (uEPS) and/or Return On Equity (ROE) vesting hurdle. For the purposes of Plan assessment, each performance measure operates independently of the other. The vesting hurdles must be satisfied at the end of the performance period for the rights to vest.

Further details of the Plan are included in the Remuneration Report.

16. SHARE-BASED PAYMENTS (continued)

Senior Executive Long Term Performance Reward Payment (PRPL) (continued)

(a) Plan description (continued)

Salient features of each grant currently on foot are:

<table>
<tr><th>Grant year</th><th>FY2014 and FY2015</th><th>FY2013</th></tr>
<tr><td>Performance periods</td><td>3 years</td><td>1 July 2012 to 30 June 2015</td></tr>
<tr><td>Holding lock</td><td>12 months after the end of the performance period</td><td>Nil</td></tr>
<tr><td>Performance hurdles</td><td>40% TSR / 60% uEPS and ROE</td><td>50% TSR / 50% uEPS</td></tr>
<tr><td>TSR comparator Group</td><td>S&P/ASX 200 A-REIT Index excluding Westfield Group.</td><td>S&P/ASX 200 A-REIT Index.</td></tr>
<tr><td>Vesting scale – TSR</td><td><table>
<tr><th>Percentile ranking</th><th>Percentage vesting</th></tr>
<tr><td>≤ 51st</td><td>0%</td></tr>
<tr><td>between 51st and 75th</td><td>51% to 100%</td></tr>
<tr><td>≥ 75th</td><td>100%</td></tr>
</table></td><td><table>
<tr><th>Percentile ranking</th><th>Percentage vesting</th></tr>
<tr><td>< 50th</td><td>0%</td></tr>
<tr><td>= 50th</td><td>50%</td></tr>
<tr><td>between 50th and 74th</td><td>51% to 100%</td></tr>
<tr><td>≥ 75th</td><td>100%</td></tr>
</table></td></tr>
<tr><td>Vesting scale – uEPS/ROE</td><td><table>
<tr><th>Target achieved</th><th>Percentage vesting</th></tr>
<tr><td>95%</td><td>25%</td></tr>
<tr><td>Between 95% and 105%</td><td>Between 25% and 99%</td></tr>
<tr><td>≥ 105%</td><td>100%</td></tr>
</table></td><td><table>
<tr><th>Target achieved</th><th>Percentage vesting</th></tr>
<tr><td>< 100%</td><td>0%</td></tr>
<tr><td>100%</td><td>50%</td></tr>
<tr><td>101%</td><td>75%</td></tr>
<tr><td>≥ 102%</td><td>100%</td></tr>
</table></td></tr>
</table>

Performance rights on issue during the period were as follows:

	Number	Weighted average exercise price
Opening balance at 1 July 2014	-	**Nil**
Novion performance rights granted during the period pre-Merger	2,535,110	Nil
Novion performance rights lapsed during the period pre-Merger	(1,060,082)	Nil
Novion performance rights vested as a result of the Merger	(1,475,028)	Nil
Federation performance rights acquired as a result of the Merger	5,913,252	Nil
Closing balance at 30 June 2015	**5,913,252**	**Nil**

Exercisable at 30 June	Nil	
Weighted average remaining contractual life	2.46 years	

16. SHARE-BASED PAYMENTS (continued)

(b) Fair value and pricing model

The weighted average fair value of the performance rights at Merger date and original grant date are:

	FY2015 $	FY2014 $	FY2013 $
Fair value at Merger			
Performance Rights with relative TSR hurdle	1.39	1.51	2.21
Performance Rights with underlying EPS hurdle	2.46	2.62	3.02
Fair value at grant date			
Performance Rights with relative TSR hurdle	1.20	1.01	1.07
Performance Rights with underlying EPS hurdle	2.14	1.87	1.81

The fair value of performance rights granted under the Plan is estimated at the date of grant using a Monte Carlo Simulation Model taking into account the terms and conditions upon which the performance rights were granted. The model simulates the Federation security price, TSR and the comparator group TSRs to the vesting date using the Monte Carlo Simulation technique. The simulation is repeated numerous times to produce a distribution of payoff amounts. The performance rights fair value is taken as the average payoff amount calculated, discounted back to the valuation date.

In valuing the performance rights, a number of assumptions were used as shown in the table below:

	Merger date	2015 Grant date
Distribution yield	6.6%	6.6%
Risk-free interest rate	1.9%-2.0%	2.6%
Volatility of FDC securities	26.9%	23%
Correlation between FDC and other comparator companies	35.0%	45%
TSR of FDC securities	23.2% to 62.0%	9.8%
Holding lock adjustment	7.5%	7.5%
Security price at measurement date	$3.04	$2.74

(1) TSR performance is stated as the performance between the start date of the testing period and the valuation date.

Distribution yield is based on Federation's expected annual distribution rate over the next three years. A distribution yield of 6% to 7% per annum is not inconsistent with the historical distribution yields of listed property trusts.

The risk-free interest rate adopted is based on government bond yields (with a duration consistent with the life of the performance right) sourced from the Reserve Bank of Australia as at the grant dates of the performance rights.

The volatility assumptions are derived having regard to a detailed analysis of historical total security return volatility (i.e. standard deviation) and the implied volatilities of exchange traded options. The implied volatilities fluctuate significantly over time and vary depending on the option considered. However, a sensitivity of the volatility assumptions using a wide range of volatility assumption values will not have a material impact on the fair value of the performance rights calculated.

The fair value of the performance rights with the TSR hurdle is lower than the performance rights with the uEPS hurdle because the valuation of the TSR performance rights incorporates the probability of achieving market conditions whereas the valuation of EPS performance rights does not. This results in a lower fair value for TSR performance rights when compared to EPS performance rights.

17. AUDITOR'S REMUNERATION

During the year, the following fees were paid or payable for services provided by the auditors of the Group or its related practices. As a result of the Merger, Ernst and Young as auditors of Federation (pre and post-Merger) and PricewaterhouseCoopers, as auditors of Novion pre-Merger, provided audit services to the Merged Group. The amounts presented below represent fees that were paid and payable for the full financial year. As such the amounts will not agree to those disclosed in the Statement of Comprehensive Income as a portion of these fees are pre-Merger. Details of the amounts paid by both Federation and Novion to auditors of the Group are as follows:

Federation	**30.06.15 $'000**	**30.06.14 $'000**
Audit services		
Ernst and Young		
Statutory audit and review of financial reports	1,542	1,300
Other assurance services	461	278
Taxation services	185	230
Total auditor's remuneration	**2,188**	**1,808**
Novion		
Audit services		
PricewaterhouseCoopers		
Statutory audit and review of financial reports	721	1,118
Other assurance services	126	469
Non audit services	844	142
Ernst and Young (prior to appointment as Group auditor)		
Non audit services	940	-
Total auditors' remuneration	**2,631**	**1,729**

18. NOTES TO THE CASH FLOW STATEMENT

Reconciliation of net profit after tax for the financial year to net cash provided by operating activities:

	30.06.15 $m	30.06.14 $m
Net profit after tax for the financial year	675.1	400.1
Exclude non-cash items and cash flows under investing and financing activities		
Straight-lining revenue	(6.4)	1.6
Interest capitalised	(10.4)	(35.9)
Property revaluation increment for directly owned properties	(430.9)	(70.2)
Share of net profits of associates and joint venture partnerships accounted for using the equity method	(7.7)	(4.2)
Distributions of net income from equity accounted investments	3.0	2.2
Net movements on mark to market derivatives	23.5	23.0
Share-based payment expense	0.9	-
Amortisation of incentives and leasing fees	28.6	26.0
Transaction costs	135.4	13.5
Amortisation of borrowing costs	13.6	15.3
Other non-cash items	5.5	1.8
Movements in working capital		
Decrease in payables and other liabilities	(16.0)	(59.6)
Decrease in receivables and other assets	3.8	65.6
Net cash inflow from operating activities	**418.0**	**379.2**

19. PARENT ENTITY FINANCIAL INFORMATION

Federation Limited is the deemed parent of the stapled group.

(a) Summary information

The financial information presented below represents that of the legal parent entity, Federation Limited. Due to the reverse acquisition, the numbers included below do not form part of the comparative information included in these consolidated financial statements, however are represented in the consolidated balance sheet in the current year (post-Merger).

	30.06.15 $m	30.06.14 $m
Statement of financial position		
Current assets	141.2	109.0
Non current assets	1,019.5	313.2
Total assets	**1,160.7**	**422.2**
Current liabilities	(239.2)	(111.3)
Non current liabilities	(535.3)	(370.4)
Total liabilities	**(774.5)**	**(481.7)**
Equity		
Contributed equity	455.3	-
Share-based payment reserve	11.5	7.9
Accumulated losses	(80.6)	(67.4)
Total equity	**386.2**	**(59.5)**
Net loss for the financial year of Federation Limited as parent entity	13.2	31.7
Total comprehensive loss for the financial year of Federation Limited	13.2	31.7

Federation Limited has access to the Group's cash flow from operations and undrawn bank facilities, in order to pay its current obligations as and when they fall due.

(b) Commitments and contingent liabilities of the parent entity

The parent entity has no capital expenditure commitments which have been contracted but not provided for or operating lease commitments and contingencies as at reporting date.

20. RELATED PARTIES

(a) Parent entity

The parent entity of the Group is Federation Limited (the Company).

(b) Wholly-owned subsidiaries

All subsidiaries of the Group are wholly-owned subsidiaries of Federation Limited or Federation Centres Trust No.1 (the stapled entities) as at 30 June 2015.

(c) Domicile

The Company is domiciled and incorporated in Australia.

20. RELATED PARTIES (continued)

(d) Information on related party transactions and balances

Novion RE Limited, a wholly-owned entity of the Group, is the Responsible Entity/Trustee of the following funds (collectively known as the Wholesale funds managed by the Group):

- Direct Property Investment Fund - A (DPIF-A)
- Direct Property Investment Fund - B (DPIF-B)
- Novion Enhanced Retail Fund (NERF)
- Diversified Property Pool (DPP) (wound up 2 August 2014)
- International Private Equity Real Estate Fund (IPERE)
- International Real Estate Trust (IRET)
- Australian Investments Trust (AIT).

i. Related party balances

Related party balances are disclosed in the table below:

	Property jointly owned		Funds management fee receivable		Alignment fee payable	
	30.06.15 $000	30.06.14 $000	30.06.15 $000	30.06.14 $000	30.06.15 $000	30.06.14 $000
Wholesale funds managed by the Group	598,716	566,841	2,301	1,754	1,291	1,739

An impairment assessment is undertaken each financial year by examining the financial position of the related party to determine whether there is objective evidence that a related party receivable is impaired. When such objective evidence exists, the Group recognises an allowance for the impairment loss. Outstanding related party trade receivables balances at year end are unsecured and settlement occurs in cash. Interest is charged on an arm's length basis on amounts greater than 90 days outstanding. The Group does not hold any collateral in relation to related party receivables.

ii. Related party transactions

Related party transactions are disclosed in the table below:

	Asset and funds management fee revenue		Distribution income		Alignment fee expense	
	30.06.15 $000	30.06.14 $000	30.06.15 $000	30.06.14 $000	30.06.15 $000	30.06.14 $000
Wholesale funds managed by the Group	16,812	4,735	51	6	1,291	525

(e) Other related party transactions

Subsequent to the financial year end, a subsidiary of the Group exchanged contracts for the purchase of a number of commercial units (the Strata Plan) adjacent to one of its properties.

Mr Richard Haddock AM, a Director of the Group, together with his family owns one unit in the Strata Plan. That unit, which Mr Haddock and his family have held since 1990, will be acquired by the Group's subsidiary on arm's length terms for a contract value of $1,349,000. The contract with Mr Haddock is conditional upon the completion of all of the individual contracts between the Group's subsidiary and the owner of each unit in the Strata Plan.

The Board's procedures under its conflict of interest policy have been in place with Mr Haddock throughout this transaction in order to manage the conflicts of interest arising from this transaction.

21. COMMITMENTS

(a) Operating lease commitments

Estimated operating lease expenditure contracted for at reporting date, but not provided for in the financial statements:

	30.06.15 $m	30.06.14 $m
Not later than one year	8.7	5.0
Later than one year and not later than five years	34.2	21.0
Later than five years	93.7	86.1
Total operating lease commitments	**136.6**	**112.1**

(b) Capital commitments

Estimated capital expenditure contracted for at reporting date, but not provided for:

	30.06.15 $m	30.06.14 $m
Not later than one year	176.4	45.0
Later than one year and not later than five years	32.9	12.8
Total capital commitments	**209.3**	**57.8**

(c) Contingent assets and liabilities

Bank guarantees totalling $43.4 million have been arranged by the Group to guarantee obligations relating to the corporate office and for three of the Group's Responsible Entities to meet their financial obligations under their Australian Financial Services Licences.

As at reporting date, there were no other material contingent assets or liabilities.

22. EVENTS OCCURRING AFTER THE REPORTING DATE

On 3 August 2015 Steven Sewell ceased his role as Chief Executive Officer and as a Director of the Group and Angus McNaughton was appointed to the position of Chief Executive Officer of the Group.

Furthermore, subsequent to 30 June 2015, the Group has entered into a number of sale contracts to sell the following properties held by the Group, some of which remain conditional at the date of this report:

- Lutwyche City for a sale price of $65.0 million which is conditional upon the purchaser receiving approval from the Foreign Investment Review Board;
- Katherine Oasis and Goulburn Plaza for a combined sale price of $94.9 million with an expected settlement date in August 2015;
- Mount Gambier Central for a sale price of $24.5 million which is conditional upon the execution of certain lease contracts; and
- Westside Plaza for a sale price of $33.7 million with an expected settlement date in August 2015.

There are no other material events occurring after the reporting date other than those already disclosed throughout this report.

Directors' Declaration

In accordance with a resolution of the Directors of Federation Limited, we declare that:

(a) in the opinion of the Directors, the financial statements and notes set out on pages 48 to 92 are in accordance with the *Corporations Act 2001*, including:

i. giving a true and fair view of the Group and its controlled entities' financial position as at 30 June 2015 and of the performance for the financial year ended on that date, and

ii. complying with Australian Accounting Standards, the Corporations Regulations 2001 and the Constitution, and

(b) in the opinion of the Directors, there are reasonable grounds to believe that Group and its controlled entities will be able to pay their debts as and when they become due and payable, and

(c) the Directors have been given the Declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2015.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Signed in accordance with the resolution of the Directors of Federation Limited.

P A F Hay
Chairman

Melbourne
19 August 2015

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Independent auditor's report to the members of Federation Limited

Report on the financial report

We have audited the accompanying financial report of Federation Centres (the 'Group'), which comprises the balance sheet as at 30 June 2015, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, 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 year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the 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 as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit 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.

Opinion

In our opinion:

a. the financial report of Federation Centres is in accordance with the *Corporations Act 2001*, including:

   i giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

   ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1 (a).

Report on the remuneration report

We have audited the Remuneration Report included in pages 15 to 45 of the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Federation Limited for the year ended 30 June 2015, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

David Shewring
Partner
Melbourne
19 August 2015