

FEDERATION LIMITED¹

**Comprising Federation Limited - ABN 90 114 757 783 and its controlled entities
including Federation Centres Trust No. 1 – ARSN 104 931 928,
Federation Centres Trust No. 2 – ARSN 122 223 974, and
Federation Centres Trust No. 3 – ARSN 153 269 759,
which are known as the ASX listed stapled group, Federation Centres**

Financial Report For the Year Ended 30 June 2013

Directors of Federation Limited

Bob Edgar (Chairman)
Steven Sewell (Chief Executive Officer & Managing Director)
Clive Appleton
Peter Day
Tim Hammon
Charles Macek
Fraser MacKenzie
Debra Stirling

Secretaries of Federation Limited

Elizabeth Hourigan
Dimitri Kiriacoulacos

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

¹ Federation Limited was previously Centro Retail Limited, Federation Centres Trust No. 1 was previously Centro Retail Trust, Federation Centres Trust No. 2 was previously Centro Australia Wholesale Fund and Federation Centres Trust No. 3 was previously Centro DPF Holding Trust.

Contents

Directors' Report	1
Remuneration Report (Audited)	19
Income Statements	49
Statements of Comprehensive Income.....	50
Balance Sheets	51
Statements of Changes in Equity	53
Cash Flow Statements.....	54
1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	55
2. SIGNIFICANT ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS.....	67
3. PARENT ENTITY INFORMATION	68
4. SEGMENT INFORMATION	69
5. PROFIT/(LOSS) BEFORE INCOME TAX EXPENSE	75
6. NET(LOSS)/GAIN FROM CAPITAL TRANSACTIONS AND SELLING COSTS.....	75
7. INCOME TAX	76
8. RECEIVABLES AND OTHER ASSETS.....	77
9. INVESTMENTS	79
10. INTANGIBLE ASSETS	86
11. TRADE AND OTHER PAYABLES	87
12. PROVISIONS	87
13. DERIVATIVE FINANCIAL INSTRUMENTS	88
14. INTEREST BEARING LIABILITIES	89
15. CONTRIBUTED EQUITY	91
16. CLASS ACTION TRUE-UP SECURITIES	92
17. CASH FLOW INFORMATION	93
18. EARNINGS/(LOSS) PER SECURITY	94
19. NET TANGIBLE ASSET BACKING	94
20. SHARE-BASED PAYMENTS	95
21. REMUNERATION OF AUDITORS	99
22. FINANCIAL RISK MANAGEMENT	99
23. ACQUISITION OF SYNDICATES.....	107
24. CONTINGENT LIABILITIES	110
25. KEY MANAGEMENT PERSONNEL DISCLOSURES	110
26. RELATED PARTY DISCLOSURES.....	114
27. COMMITMENTS.....	118
28. OPERATING LEASES.....	118
29. EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD	119
Directors' Declaration	121
Independent Auditor's Report.....	122

Directors' Report

The Directors of Federation Limited (previously Centro Retail Limited) present the financial report of Federation Centres (previously Centro Retail Australia) for the year ended 30 June 2013.

Change of name and ASX code

At the Extraordinary General Meeting held on 22 January 2013, securityholders approved changing the company name from Centro Retail Limited to Federation Limited, effective 22 January 2013. Federation Limited is the parent of the stapled group Federation Centres. Its ASX code has changed from CRF to FDC. In addition, the names of the other stapled entities: Centro Retail Trust, Centro Australia Wholesale Fund, Centro DPF Holding Trust and their Responsible Entity Centro Retail Australia Limited were changed to Federation Centres Trust No. 1, Federation Centres Trust No. 2, Federation Centres Trust No. 3 and Federation Centres Limited respectively, effective 22 January 2013.

Federation Centres

The ASX-listed Australian Real Estate Investment Trust (A-REIT), Federation Centres (the Group or FDC) was formed by the stapling of Federation Limited (the Company or FL), Federation Centres Trust No. 1 (FCT 1), Federation Centres Trust No. 2 (FCT 2) and Federation Centres Trust No. 3 (FCT 3) (collectively known as the Trusts) through schemes of arrangement that were approved by the Supreme Court of New South Wales on 1 December 2011 (the Aggregation).

FDC consists of FL and its controlled entities, which for statutory reporting purposes, include FCT 1, FCT 2 and FCT 3. Although separate entities, the securities of each are stapled to ensure that they are traded as a single interest, and since FDC is a stapled entity, none of the stapled entities exercises control over the other.

In preparing the consolidated accounts of FDC, AASB 3R *Business Combinations* and AASB 127 *Separate Financial Statements* require a parent entity to be identified for FDC. FL has been identified as the parent of FDC on the basis that the Directors and management of FDC are employed by FL and its subsidiaries, and accordingly the financial and operating policies of FDC are governed by FL.

While the Aggregation Implementation date was 14 December 2011, the date of Aggregation of FDC for accounting purposes is 1 December 2011, being the date that the schemes were approved by the Supreme Court of New South Wales and when all the risks and rewards passed to FDC securityholders. Accordingly, the income statement comparatives in this financial report comprise results and transactions of FL (the parent) for the 12 months to 30 June 2012 and those of FCT 1, FCT 2, FCT 3 and their controlled entities, as well as the assets and liabilities acquired by FL pursuant to the Aggregation, for the seven months from 1 December 2011 to 30 June 2012.

By virtue of being a stapled security, the interests of securityholders in FCT 1, FCT 2 and FCT 3 (i.e. the non-parent entities) are presented as non-controlling interest, and described as other stapled entities of Federation Centres in the Income Statements and Balance Sheets.

Directors

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

Bob Edgar (Chairman)

Steven Sewell (Chief Executive Officer and Managing Director)

Clive Appleton

Peter Day

Tim Hammon

Charles Macek

Fraser MacKenzie

Debra Stirling

Company Secretaries

The Company Secretaries are Elizabeth Hourigan and Dimitri Kiriacoulacos.

Principal activities

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

Significant matters

(a) Name changes for the Group

As mentioned above, effective from 22 January 2013, the name of the Group changed to Federation Centres. Similarly, on 30 January 2013, the names of all non-wholly owned syndicates managed by Federation Limited, except Centro MCS 22, changed from Centro MCS to Retail Direct Property, with appropriate identifying numbers. Centro MCS 22 changed its name to Retail Direct Property 22 on 14 February 2013.

(b) Issue of new FDC securities

On 31 July 2012, FDC issued a total of 86.7 million new securities in accordance with the Terms of Issue for the Class Action True-up Securities (CATS). The new securities were issued to various pre-Aggregation investors in accordance with the disclosure document issued in connection with Aggregation and final terms of Aggregation approved by stakeholders, with the formation of FDC in December 2011.

In summary, the CATS structure (and this consequent issue of FDC securities) was put in place at Aggregation so as to be able to compensate a portion of FDC securityholders following the approval of any settlement of the CER Class Action Litigation. The settlement was approved in June 2012.

FDC's contribution towards the settlement amount was \$85.6 million (excluding costs) of the total settlement of \$200 million in respect of all proceedings, with the balance of the total settlement amount contributed by PricewaterhouseCoopers of \$67 million; the pre aggregation entity CNPR Limited of \$10 million; and \$37.4 million available from Directors and Officers insurance policy proceeds. The total amount contributed was allocated between the Maurice Blackburn and Slater & Gordon claims.

The new securities, issued on 31 July 2012, are quoted on the ASX and rank equally with existing FDC securities. The new securities represented an additional 6.5% of issued capital, with the total number of issued securities after this new issue being 1.427 billion.

(c) Transactions involving syndicates and investment properties

On 31 August 2012, FDC through FCT 3 acquired units held by external parties in Retail Direct Property 18 and Retail Direct Property 18 Unit Trust (collectively RDP 18) who elected to exit the syndicate. The total cash consideration paid was \$3.4 million. As a result of the acquisition of the additional units, FDC gained control of and now consolidates RDP 18 (61.07% voting interest). RDP 18 owns the following properties: Hilton in South Australia (SA) and The Gateway Shopping Village in Victoria (VIC).

On 5 October 2012, FDC through FCT 2 acquired all the units held by external unitholders in Centro MCS 28 (CMCS 28). The total cash consideration paid was \$62.8 million. As a result of the acquisition of all the units, FDC now consolidates CMCS 28. At the time of acquisition CMCS 28 owned a 50% interest in Bankstown in New South Wales (NSW).

On 17 December 2012, FDC through FCT 3 acquired all the units held by external unitholders in Centro MCS 33 Trust 1 and Centro MCS 33 Trust 2 (collectively CMCS 33). The total cash consideration paid was \$40.2 million. As a result of the acquisition of all the external units, FDC now consolidates CMCS 33. At the time of acquisition CMCS 33 owned the following properties: Burnie in Tasmania (TAS), Flinders Square in Western Australia (WA), Keilor in Victoria (VIC), Milton in Queensland (QLD) and a 50% interest in Lutwyche City in QLD.

FDC acquired the following properties from various syndicates: Dianella in WA from Retail Direct Property 9 for \$54 million on 1 October 2012; Toormina in NSW from Retail Direct Property 16 for \$65.5 million on 14 December 2012; and Gympie Central in QLD from Retail Direct Property 9 for \$63.8 million on 31 May 2013.

On 28 February 2013, FDC disposed of its interest in Keilor located in VIC and its adjoining vacant land for \$67 million.

(d) Strategic co-ownership transactions during the period**(i) Co-ownership agreement entered into with ISPT**

On 8 February 2013, FDC entered into an agreement with ISPT for the sale of 50% of four sub-regional shopping centres and a convenience centre for \$371.4 million. As part of the co-ownership arrangement, FDC will continue to provide property management, development and leasing services from its existing fully integrated management platform.

The four sub-regional shopping centres are Mandurah Forum in WA, Cranbourne Park and Karingal Hub in VIC and Warriewood Grove in NSW. The convenience centre is Halls Head Village in WA.

The transaction was successfully completed on 31 July 2013. Proceeds from the sale, net of transaction costs, were applied to reducing debt facilities.

(ii) Co-ownership agreement entered into with Challenger

On 5 June 2013, FDC announced that it entered into conditional agreements with various funds managed by Challenger, for the sale of 50% interest in a portfolio of six assets for an aggregate transaction price of \$602 million. These assets are owned by FDC and Retail Direct Property (RDP) syndicates, with a gross value of \$1.2 billion.

The portfolio of assets consists of the regional shopping centres at Bankstown and Roselands, and the convenience centres at Toormina and Lennox, all in NSW, Sunshine in VIC and Karratha in WA.

Ownership details of the centres included in the transaction are set out below:

Centres	Ownership Details
Bankstown Centre and Toormina Gardens	Previously 100% FDC owned with 50% sold to Challenger.
Roselands and Karratha	Previously co-owned by FDC and RDP 21 and RDP 25 respectively. The RDP syndicates agreed to sell their respective 50% interest to Challenger with FDC retaining its 50% interest.
Lennox and Sunshine Marketplace	Previously 100% owned by RDP 10 and RDP 27 respectively. A 50% interest in these centres was sold to Challenger by the syndicate.

Consistent with previous strategic alliance transactions, FDC will remain as the manager of these centres and will be responsible for the provision of all management, development and leasing services.

The transaction was completed in two phases.

- Phase one: Bankstown, Toormina, Roselands and Karratha centres were completed on 28 June 2013, totalling approximately \$530 million.
- Phase two: Lennox and Sunshine centres were completed on 23 July 2013, totalling approximately \$70 million.

(e) FDC credit rating

On 22 February 2013, FDC received a credit rating of A- on its senior secured bank debt and a corporate credit rating of BBB+/stable from Standard & Poor's. The credit ratings provide an opportunity for FDC to diversify its funding sources via the debt capital markets, subject to suitable market conditions.

(f) Restructure and reduction of debt facilities

Following the investment grade credit rating achieved by the Group and the successful completion of the strategic alliances, FDC was able to:

- Reduce balance sheet gearing⁽¹⁾ from approximately 30% at 31 December 2012 to approximately 18% as at 31 July 2013 after the repayment of debt following the settlement of the ISPT transaction in July;
- Renegotiate its Core Facility pricing which results in the overall reduction of interest expense on FDC's debt facilities;
- Extend the FDC direct debt maturity profile at 30 June 2013 to 3.7 years; and
- Cancelled \$450 million of funding facilities provided by investment banks under the Core Facility.

The above restructure of FDC's debt facilities de-risked FDC's balance sheet to pursue near term growth objectives and provides future opportunities to diversify funding sources and further increase duration using debt capital markets, subject to suitable market conditions

(g) Appointment of Chief Financial Officer

On 9 May 2013, FDC announced that Mr Tom Honan has been appointed to the role of Chief Financial Officer of the Group, succeeding Mr Marlon Teperson in the role. Mr Honan commenced as Chief Financial Officer on 15 May 2013.

⁽¹⁾ Balance sheet gearing calculated as Drawn debt less cash/Total tangible assets less cash.

Operating and Financial Review

Strategy summary

Our strategic objective is to create value for our security holders through owning, managing and operating our centres.

We seek to achieve this objective by focusing on utilising our strong position of being an owner and manager of Australian only regional, sub-regional and convenience centres that are weighted toward non-discretionary retail. The Group is a national, vertically integrated and internally managed Australian Real Estate Trust with valued co-ownership arrangements.

We strive to achieve our strategic objective through active engagement with our people, retailers and the communities we serve.

Business model

The FDC business model is primarily focused on its direct interests in 47 quality Australian based shopping centres valued at \$4.1 billion (based on ownership). These assets account for approximately 93% of FDC's gross income and provide a diversified income source as they represent nearly 3,800 leases across over 1,800 retailers.

Over the course of FY2013, FDC expanded its strategic alliances by entering into co-ownership agreements with ISPT and Challenger on eleven assets adding to the pre-existing co-ownership arrangements with the Leda, Perron and Salta groups. These transactions deliver on our key objective of introducing select and like minded strategic parties and the proceeds from these transactions have facilitated lower funding costs and greater balance sheet capacity, which will be utilised in the future redevelopment of a number of key assets across our portfolio.

Aside from its core interest in direct property ownership, FDC will also continue to receive fees for the management of a significant portfolio of assets on behalf of both its co-ownership partners and also a number of Retail Direct Property syndicates. These fees are for property, leasing and development services. Following the settlement of the ISPT and Challenger transactions, the value of external interests including those held by RDP syndicates managed by FDC is \$2.6 billion. As at 30 June 2013, FDC also has co-invested equity of approximately \$337 million in Retail Direct Property Syndicates.

Property operational review

This Operating and Financial Review focuses on the FDC directly owned portfolio of 47 shopping centres as at 30 June 2013.

The key operating metrics achieved for the period are outlined below:

As at 30 June 2013	FDC Portfolio
Comparable Net Operating Income (NOI) Growth ⁽¹⁾	2.8%
Occupancy	99.5%
No. of Leasing Transactions	710
Leasing Spread – Renewals ⁽¹⁾	3.2%
Annual Retail Sales Growth ⁽²⁾	3.3%
Specialty Occupancy Cost	14.7%

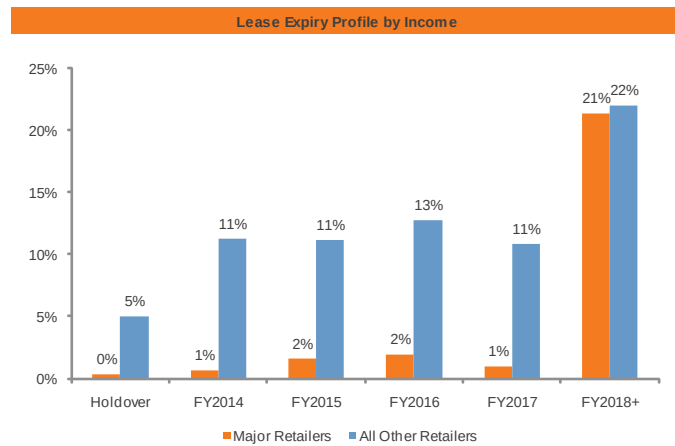
⁽¹⁾ Calculated assuming ownership share as at 30 June 2013 remained unchanged since the beginning of the comparative period.

⁽²⁾ Calculated based on Shopping Centre Council of Australia (SCCA) guidelines

The Portfolio achieved 2.8% growth in net operating income on a comparable basis for the year ended 30 June 2013, despite retail trading conditions remaining challenging during the period. This performance is underpinned by the portfolio's diversification across shopping centre type, location and retailers, with a focus on non-discretionary retail.

Circa 93% of income is derived from base rent, and growth in net operating income is underpinned by 95% of specialty retailers on ongoing leases containing fixed annual percentage increases and active management of shopping centre operating expenses. Through FDC's established relationships with its retailers, debtors (net of provisions) remain at an appropriate level of 1.0% of total billings.

Leases with major retailers typically average 20 years and leases with specialty retailers typically average five years. As a result, the Portfolio's lease expiry profile is well weighted with 70% of rental income secured on leases to FY16 and beyond as depicted below.



FDC also derives income from casual mall leasing, percentage rent and other income and this represents circa 7% of FDC's portfolio income.

Leasing results

During the year, Federation Centres' leasing team completed 710 deals across the Portfolio. Lease renewals represent the majority of leasing transactions completed reflecting a portfolio retention rate of 80%. Rental growth of 3.2% was achieved on the renewals with income renewed representing 10.5% of total portfolio rental income. With the renewals completed, 180 new lease transactions undertaken and minimal impact from tenant administrations, the Portfolio occupancy rate was maintained at 99.5%.

The Portfolio's Top 10 Retailers (by income) features Australia's well known retail brands and on an amalgamated basis Wesfarmers and Woolworths Group are the Portfolio's largest retailers representing 25% of total portfolio rent.

Top 10 Retailers				
Rank	Retailer	Retailer Type	Number of stores	% on total income
1		Supermarket	30	6.7%
2		Supermarket	28	5.8%
3		Discount Department Store	16	4.7%
4		Discount Department Store	13	3.4%
5		Discount Department Store	13	3.1%
6		Department Store	4	1.5%
7		Mini Major/Specialty Store	13	1.3%
8		Mini Major/Specialty Store	19	1.1%
9		Mini Major	17	1.0%
10		Specialty Store	31	0.8%
Top 10 Total			184	29.5%

Sales analysis

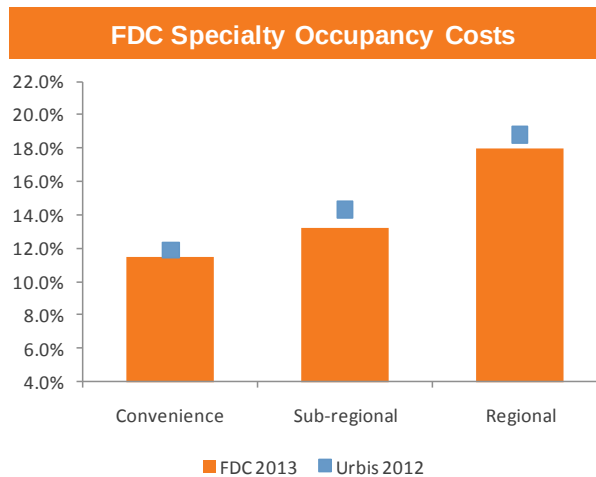
The Portfolio recorded annual sales growth of 3.3% for the year ended 30 June 2013, compared with 0.9% achieved for the prior period. Sales growth was positively influenced in the current year by a 53 week trading period for both Wesfarmers and Woolworths Group, which is reflected across the entire sector's results. Excluding this impact, portfolio growth for the year would have been 2.4%. Sales growth remains restrained by the current retail trading conditions which have been impacted by the economic climate, increased overseas travel and rising household costs.

All retail categories recorded positive sales growth for the period with the overall result influenced primarily by supermarkets and specialties, which account for 75% of total sales. Supermarkets continue to perform well with both major operators continuing to focus on freshness, pricing and store refurbishments. Within the specialties category, retailers focused on non-discretionary goods and services such as food and services continue to perform well, with discretionary retail categories such as apparel and jewellery still experiencing weaker levels of growth.

FDC Sales Category Analysis			
Category	Annual Sales (\$m)	MAT Change ¹	Portfolio Composition
Supermarkets	2,663.0	4.0%	38%
Specialties	2,568.8	2.9%	37%
Discount Department Stores	998.1	2.4%	14%
Mini Majors	531.7	3.7%	8%
Department Stores	179.2	3.3%	3%
Portfolio Total	6,940.8	3.3%	100%

¹ Calculated in accordance with Shopping Centre Council of Australia standards

Specialty occupancy costs across the portfolio remain below the Urbis benchmark average across the three main centre types. Management of these remains an ongoing focus of FDC.



Asset and portfolio management

During the period, FDC made strategic acquisitions of 9 shopping centres and contracted to acquire a further two shopping centres held by RDP Syndicates as outlined in the table below.

Centre	Percentage acquired	Purchase Price (\$ millions)	Capitalisation Rate
Dianella (WA)	100%	54.0	9.00%
Bankstown Centre (NSW)	50% ⁽¹⁾	285.2	6.75%
Toormina Gardens (NSW)	100% ⁽¹⁾	65.5	8.75%
Burnie (TAS)	100%	17.0	9.75%
Flinders Square (WA)	100%	22.7	8.00%
Lutwyche City (QLD)	50%	26.0	8.50%
Milton (QLD)	100%	18.0	8.50%
Keilor (VIC)	100% ⁽²⁾	59.3	9.00%
Mandurah land (WA)	100%	4.8	n/a
Gympie Central (QLD)	100%	63.8	8.00%
Total acquisitions at 30 June 2013		616.3	
Lennox (NSW)	50% (Contracted) ⁽³⁾	23.8	8.00%
Sunshine Marketplace (VIC)	50% (Contracted) ⁽³⁾	46.0	8.25%
Maitland Hunter Mall (NSW)	100% (Contracted) ⁽³⁾	12.0	11.0%
Total acquisitions at 31 July 2013		698.1	7.86%

⁽¹⁾ Acquired 50% of Bankstown Centre (when FDC acquired all the external units in Centro MCS 28) and 100% of Toormina Gardens on 28 September and 14 December 2012 respectively. A 50% interest in Bankstown Centre and Toormina Gardens in NSW was sold to a new strategic co-ownership partner on 28 June 2013.

⁽²⁾ Acquired on 17 December 2012 (when FDC acquired all the external units in Centro MCS 33) and disposed on 28 February to an external party.

⁽³⁾ Acquired on 24 July 2013 when FDC acquired all the external units in Retail Direct Property 10 and Retail Direct Property 27.

Active asset management is a key focus for FDC with development expenditure incurred across three centres during the year together with master planning of key projects across a number of other centres.

Development works were completed at Tuggeranong in Australian Capital Territory (ACT) in December 2012 with new retailers Big W, Harris Scarfe and JB Hi-Fi trading well since opening. Development works at Arndale in Adelaide are substantially complete with Woolworths and Big W trading out of their new tenancies and the majority of new specialty retailers open for trade. Relevant approvals for the Warnbro redevelopment in Western Australia have been received, with construction commencing around September 2013 with the addition of a Big W discount department store and 27 additional specialties. FDC and joint venture partner board approval has been granted for the redevelopment of Cranbourne in Victoria which will include a new discount department store, new Coles supermarket and around 55 new specialty stores. Major works at Cranbourne will commence in early 2014 calendar year.

Across the remainder of the portfolio, active reinvestment in amenities and building services at each of the centres continued for the benefit of shoppers and retailers alike.

Please refer to the FDC Direct Shopping Centre Portfolio book available via the Federation Centres' website (www.federationcentres.com.au) for a summary of each owned/co-owned centre.

Financial performance

FDC has reported a strong statutory result with total revenue of \$546.1 million and net profit after tax of \$212.7 million for the year to 30 June 2013. Performance was driven by sustainable property income growth from the property investments, in addition to benefits arising from strategic alliance transactions which facilitated a significant reduction in financing costs on FDC's debt facilities during the period through restructure of its Core debt facility.

Other key factors contributing to Net Profit were positive asset revaluations of \$37.9 million and an increase in funds management performance fees recognised upon the wind up of various Retail Direct Property syndicates.

The Group provided three additional measures of performance which are prepared on a basis other than in accordance with accounting standards: Underlying Earnings, Funds from Operations⁽¹⁾ and Adjusted Funds from Operations⁽¹⁾. These measures are used by the Chief Executive Officer in assessing the performance of the Group. The guidance provided in Australia Securities and Investments Commission Regulatory Guide 230 *Disclosing non-IFRS financial information* has been followed when presenting these measures. These measures are used by the CEO to make strategic decisions and as a guide to assessing an appropriate distribution to declare.

Underlying Earnings for the year was \$224.4 million, equating to 15.80 cents per security.

The following summary segment Income Statement is extracted from Note 4 of FDC's Financial Statements.

Summary Segment Income Statement for the year ended	30-Jun-13
	\$m
Direct property investment income	309,491
Syndicate investment income	22,012
Investment income	331,503
Property management, development and leasing fees	12,703
Syndicate management fees	27,310
Services income	40,013
Total income	371,516
Overheads and depreciation (net of recoveries)	(46,122)
Financing costs	(101,044)
Underlying earnings	224,350
Non-distributable items :	
Asset revaluations	25,235
Stamp duty	(27,381)
Other non-distributable items	(9,549)
Statutory net profit	212,655
Underlying Earnings Per Security (EPS) – cents	15.80
Distribution Per Security (DPS) – cents	14.10

⁽¹⁾ Based on Property Council White Paper issued in June 2013.

In June 2013 the Property Council of Australia released the white paper *Voluntary Best Practice Guidelines* for disclosing funds from operations and adjusted funds from operations. The goal of the white paper is to provide investors with clear, consistent, meaningful and comparable financial information.

FDC's Funds from Operations (FFO) for the period was \$226.7 million with Adjusted Funds from Operations (AFFO) of \$196.9 million as shown in the table below:

	\$m
Underlying earnings	224,350
Adjusted for:	
Amortisation of tenant incentives	2,360
Funds From Operations	226,710
Adjusted for:	
Derivative and debt break costs arising from early repayment of borrowings pursuant to capital transactions	(14,262)
Maintenance and operating capital expenditure	(32,099)
Proceeds received from receivables previously impaired	16,561
Adjusted Funds From Operations	196,910

Co-ownership transactions

Following on from the co-ownership agreement with Perron Group in June 2012, FDC has continued to improve the financial position of the Group over the course of FY13 through strategic co-ownership transactions valued at almost \$1 billion with ISPT and Challenger. These agreements, which successfully settled in June and July 2013, have enabled FDC to repay approximately \$711 million of existing debt facilities.

Credit rating

During the period FDC successfully attained investment grade credit ratings of "A-" on senior secured debt and "BBB+" corporate credit rating assigned by Standard and Poor's. This was a significant achievement for the Group and validates the low risk strategy and operating model. These ratings provide an opportunity to diversify our funding sources via the debt capital markets, subject to suitable market conditions.

Balance Sheet capacity

Following completion of the Challenger and ISPT transactions FDC's gearing reduced to approximately 18% as at 31 July 2013.

Reflecting the enhanced balance sheet strength, substantial undrawn debt capacity and an 'A-' investment grade credit rating, FDC reduced the size of its debt facilities by \$450 million in June 2013 to \$1.4 billion.

At the date of this report FDC is currently operating below its target gearing range of 25%-35%, however over time it is expected that FDC will move back into the target range as it pursues strategic asset acquisitions and redevelopments as part of delivering on its stated strategy.

Syndicate restructure progressing

In August 2012 FDC updated the market on the strategic decision to wind down the majority of its managed unlisted syndicates. This was expected to result in a majority of the assets held by the syndicates to be acquired by FDC, and a smaller number, of lesser value, to be sold to the external market. During the period, approximately \$600 million of assets have been acquired by FDC from the syndicates business, including the acquisitions of Toormina Gardens in NSW, Dianella and Flinders Square in WA, Milton and Gympie Central in QLD, Burnie in TAS, Keilor in VIC and the remaining 50% externally held interest in Bankstown Centre in NSW and Lutwyche City in QLD. A further \$362 million has been sold on market by the syndicates.

As at 30 June 2013, 14 syndicates remain with total assets of \$1.0 billion. FDC continues its strategy to substantially restructure the syndicate business.

The remaining 14 syndicates, are expected to wind up when they reach maturity with FDC potentially acquiring up to approximately \$800 million of gross property assets (subject to available capacity), with the remainder sold on the market. The total cash outlay for FDC after taking into account FDC's investment held in these syndicates will be up to approximately \$200 million, and will be funded by available debt facilities. This excludes expiring syndicate debt facilities that may potentially need to be refinanced.

Forecast

The domestic economic environment, in particular as it relates to the retail sector of the economy, remains a principle area of concern and vigilance. This is due to forecasts of continuing subdued GDP and retail sales growth, combined with currency and interest rate volatility. As a result of these forecasts of volatile retail conditions, we will continue to pro-actively adjust and optimise our business operating model through system and process improvements, organisational realignment and a heightened focus on direct and indirect cost control.

Full year earnings are forecast, subject to any unforeseen events, to be in the range of 16.5 to 16.8 cents per security with distributions paid to investors representing a payout ratio approximately equivalent to the amount of adjusted funds from operations.

Risks

General risks of retail property investment

Returns from an investment in retail property largely depend on rental income generated from property interests, expenses incurred in managing and maintaining those interests, and changes in market value of such interests. The market value of properties is in part correlated to rental income, and rental income may be adversely impacted by a number of factors including:

- overall market conditions in national and local economies in which FDC operates such as growth or contraction in gross domestic product, demographic changes, employment trends and consumer sentiment;
- the financial performance and condition of tenants, in particular the major retailers and other anchor tenants;
- the ability to attract new tenants where an existing tenant vacates its lease on expiration or bankruptcy;
- consumer shopping trends, in particular trends around use of alternative retail options such as the internet, which may impact turnover of tenants, which in turn can have an impact on rental income under the terms of certain leases;
- local real estate conditions such as the demand and supply of retail space; and
- changes in levels of competition, including pricing or competition policies of any competing properties or retailers.

In addition there are a number of other risks which can affect the value of properties without necessarily impacting the level of rental income, including:

- a downturn in the global economy or in the property market in general;
- adverse consequences of amendments to government regulations or legislation, including environmental, retail tenancy and planning controls;
- supply and demand for retail property; and
- interest rates and the availability of financing.

Tenant default

The majority of FDC's revenue is generated from rental income from tenants across the property portfolio. As such, any default by a tenant that causes it to break its lease or default on payment of its lease obligations has the potential to adversely impact the operational and financial results of FDC. Whilst individually this is unlikely to be material, systematic default by a number of tenants could be material.

The risk from tenant defaults is managed by maintaining a diverse portfolio of tenants and managing the exposure to any individual tenant to ensure that it is unlikely a default by any individual tenant would cause a material adverse effect on the operations of FDC. In addition, the strength of FDC's relationships with retailers and ability to attract replacement tenants is important in managing this risk.

Property development risk

Future growth of FDC will in part be dependent on it continuing to develop its properties to improve sales and grow the gross lettable area and to improve and maintain its market position with retailers and consumers. Risks associated with development activities include:

- construction not being completed on time or on budget;
- proposed leasing terms not being achieved;
- maintaining existing occupancy levels during construction and leasing new space on completion;
- funding being available for new development;
- obtaining required permits, licences or approvals and timing of receipt of such approvals;
- industrial disputes affecting timing;
- customers lost to competitors during development phase may not return; and
- in the event a proposed project does not proceed, pre-development costs may need to be written-off.

There is no guarantee that completed development projects will increase the value of the property being developed. Accordingly, there is a risk that some or all of the development expenditure may be expensed.

To effectively manage this risk, FDC has assembled a strong development team with significant experience in retail development. FDC undertakes rigorous feasibilities and due diligence for all potential development projects including the utilisation of third parties expertise. In addition, FDC does not undertake any speculative developments, and secures pre-commitments from major tenants prior to any development being undertaken.

Co-ownership agreements

FDC is a co-owner of a number of properties, which are 50% co-owned with third parties. Under the co-ownership arrangements on these properties, FDC does not have exclusive control over the development, financing, leasing and other aspects of the properties. Owning an interest in an asset jointly with a third party imposes restrictions on flexibility, which do not apply when the asset is wholly owned. From time to time major decisions will be required associated with redevelopment, refurbishment, refinancing, or sale of the properties themselves or adjoining land. Where FDC has business objectives that are inconsistent with those of its co-owner in relation to those decisions, such business objectives may not be able to be achieved, or achieved in a timely manner, and there is the possibility for disputes to arise.

FDC manages the risks associated with the co-ownership agreements by:

- ensuring that the business objectives of FDC and the third party are aligned and consistent;
- complying with the various contractual agreements between the parties;
- being retained as manager and responsible for the redevelopment programs; and
- FDC has the usual rights of first refusal in the event that the co-owner opts to exit the co-ownership agreement.

Business strategies, prospects and likely developments

The Operating and Financial Review sets out information on the business strategies and prospects for future financial years, and refers to likely developments in Federation Centres' operations and the expected results of those operations in future financial years (see pages 5 to 12 of this Directors' report). Information in the Operating and Financial Review is provided to enable shareholders to make an informed assessment about the business strategies and prospects for future financial years of the Federation Centres Group. Information that could give rise to likely material detriment to Federation Centres, for example, information that is commercially sensitive, confidential or could give a third party a commercial advantage has not been included. Other than the information set out in the Operating and Financial Review, information about other likely developments in Federation Centres' operations and the expected results of these operations in future financial years has not been included.

Distributions

On 29 May 2013 the Directors declared a distribution for the half year ended 30 June 2013 of 7.5 cents per FDC stapled security, providing a total distribution for the year of 14.1 cents per FDC stapled security. The payment date of the final distribution will be 28 August 2013.

Distribution paid or payable to securityholders for the year was \$201.3 million (2012: \$87.1 million)

Environmental regulations

As a property owner, the Group is subject to the normal environmental laws and regulations of landowners within Australia. These include regulations against air pollution, liquid discharge and soil contamination. Environmental laws and regulations in force in the various jurisdictions in which the Group operates are applicable to certain areas of the Group's operations. The Group has in place procedures to identify and comply with such requirements including, where applicable, obtaining and complying with the conditions of the relevant authority consents and approvals and the obtaining of any necessary licences.

Events occurring after the end of the reporting period

(a) Acquisition of externally held units in syndicates

(i) Retail Direct Property 10

On 24 July 2013, FDC acquired all the units held by external unitholders in Retail Direct Property 10 and Retail Direct Property 10 Unit Trust (collectively RDP 10). The total cash consideration paid was \$20.8 million. As a result of the acquisition of all the external units, FDC now consolidates RDP 10 from the acquisition date. RDP 10 owns Maitland Hunter Mall and 50% of Lennox both of which are located in NSW.

(ii) Retail Direct Property 27

On 24 July 2013, FDC also acquired the remaining externally held units in Retail Direct Property 27 (RDP 27), a vehicle already consolidated by the Group. The total cash consideration paid was \$13.3 million. As a result of the acquisition of all the external units in RDP 27, FDC's ownership in RDP 27 increased from 62% to 100%. RDP 27 owns 50% of Sunshine Market place which is located in VIC.

(iii) Retail Direct Property 37

On 16 August 2013, FDC contracted to acquire the remaining externally held units in Retail Direct Property 37 (RDP 37), a vehicle already consolidated by the Group. The total cash consideration paid will be approximately \$20 million. As a result of the acquisition of all the external units in RDP 37, FDC's ownership in RDP 37 will increase from circa 56% to 100%. RDP 37 owns Albury and Monier Village which are located in NSW and QLD respectively. The acquisition of all external units will occur on 22 August 2013.

(b) Settlement of Challenger and ISPT strategic co-ownership transactions

On 23 July 2013, the settlement of the remaining assets of the Challenger strategic co-ownership transaction being 50% of Sunshine and 50% of Lennox successfully completed with proceeds generated of \$46.0 and \$23.8 million respectively. These proceeds were used to repay the borrowings of RDP 10 and RDP 27 which owned the assets.

On 31 July 2013, the settlement of the ISPT strategic co-ownership transaction successfully completed generating proceeds of \$371.4 million. The proceeds received were used to retire some of the existing FDC debt facilities.

(c) Return of Capital from Retail Direct Property 21

On 26 July 2013, FDC received a return of capital of \$46.9 million from Retail Direct Property 21 following the disposal of its 50% interest in Roselands Shopping Centre as part of the transaction with Challenger.

Except for the matters discussed above, no other matter or circumstance has arisen in the interval between 30 June 2013 and the date hereof that has significantly affected or may significantly affect:

- (i) the Group's operations in current and future financial years, or
- (ii) the results of those operations in current and future financial years, or
- (iii) the Group's state of affairs in current and future financial years.

Information on Directors

Bob Edgar
BEC, PhD, F Fin, FAICD

Chairman

Appointed December 2011

Background and Experience

Bob Edgar has more than 30 years' experience as a senior executive, with 25 years at ANZ Banking Group in various senior roles, including Deputy Chief Executive Officer, Senior Managing Director, Chief Operating Officer and Chief Economist.

Dr Edgar is Chair of the Nomination Committee.

Current Directorships, Executive Positions and Advisory Roles

Dr Edgar is a Non-executive Director of Asciano Limited, LinfoxArmaguard Pty Ltd and Transurban Group and Chairman of the Prince Henry's Institute for Medical Research.

Past Non-executive Directorships (past three years)

Nufarm Limited, Bank of Tianjin, Shanghai Rural and Commercial Bank, AMMB Holdings Berhad.

Steven Sewell
BSc

Managing Director and Chief Executive Officer

Commenced February 2012

Appointed MD July 2012

Background and Experience

Steven Sewell commenced as Federation Centre's Chief Executive Officer in February 2012 and was appointed a Director in July 2012. Mr Sewell has extensive experience in the management and development of Australian shopping centres. Mr Sewell was formerly Chief Executive Officer of Charter Hall Retail REIT (formerly Macquarie Countrywide Trust) for more than five years and National Head of Property Management for QIC Property.

Current Directorships, Executive Positions and Advisory Roles

Mr Sewell is a Non-executive Director of Capitol Health Limited, current Chairman of the Shopping Centre Council of Australia and a Director of the Property Council of Australia Limited.

Past Non-executive Directorships (past three years)

None

Clive Appleton
BEC, MBA, FAICD

Non-executive Director

Appointed December 2011

Background and Experience

Clive Appleton has over 30 years' experience in retail property and funds management. Mr Appleton was Chief Executive Officer of Jennings Properties Limited (now Federation Centres) for 10 years until 1996 before becoming Managing Director of Gandel Management Limited.

Mr Appleton is a member of the Audit and Risk Committee, the Nomination Committee and the Remuneration and HR Committee.

Current Directorships, Executive Positions and Advisory Roles

Mr Appleton is a Non-executive Director of APN Property Group Limited, The Gandel Group Pty Ltd, Arrow International Group Limited and Aspen Group Limited. He is a council member of the Cairnmillar Institute.

Past Non-executive Directorships (past three years)

Chairman AG Coombs

Peter Day
LLB (Hons), MBA, FCA, FCPA, FAICD

Non-executive Director

Appointed October 2009

Background and Experience

Peter Day has more than 30 years' experience in Australia and internationally in finance, strategy, general management and compliance, including executive roles with Amcor, Rio Tinto and the Australian Securities and Investments Commission.

Mr Day is a member of the Audit and Risk Committee and the Nomination Committee, and sits on the Board of the Responsible Entity that has responsibility for the Retail Direct Property managed funds.

Current Directorships, Executive Positions and Advisory Roles

Mr Day is a Non-executive Director of Ansell Limited, SAI Global Limited, Central Gippsland Water Corporation and Multiple Sclerosis Australia Limited, and is Chairman of Orbital Corporation Limited.

Past Non-executive Directorships (past three years)

None

Tim Hammon
BCom, LLB

Non-executive Director

Appointed 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 a member of the Nomination Committee and the Remuneration and HR Committee, and sits on the Board of the Responsible Entity that has responsibility for the 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

Charles Macek
BEC, M.Admin, FAICD, FCA, FCPA, SF Fin

Non-executive Director

Appointed December 2011

Background and Experience

Charles Macek has extensive 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.

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

Current Directorships, Executive Positions and Advisory Roles

Mr Macek is Chairman of Racing Information Services Australia Pty Ltd and Sustainable Investment Research Institute Pty Ltd. He is a Non-executive Director of Wesfarmers and Earthwatch Institute Australia, Vice Chairman of the International Financial Reporting Standards Advisory Committee and is a member of the Investment Committee of UniSuper Ltd and a member of the Australian Advisory Board of Marsh & McLennan Companies.

Past Non-executive Directorships (past three years)

None

Fraser MacKenzie
Dip BS, FCCA, FCPA, MAICD

Non-executive Director

Appointed October 2009

Background and Experience

Fraser MacKenzie has more than 40 years of finance and general management experience in the United Kingdom, the United States and Asia, including Chief Financial Officer for both Coles Group/Coles Myer and OPSM Group. Mr MacKenzie held senior finance and general management roles at Pfizer, Gestetner Holdings and Smith Kline & French Laboratories, in addition to various accounting positions in his early career at Royal Bank of Scotland, Hambros Bank and Ernst & Young.

Mr MacKenzie is Chair of the Audit and Risk Committee and a member of the Nomination Committee.

Current Directorships, Executive Positions and Advisory Roles

None

Past Non-executive Directorships (past three years)

None

Debra Stirling
BA, GAICD

Non-executive Director

Appointed December 2011

Background and Experience

Debra Stirling has more than 20 years' experience in corporate affairs, investor relations and human resources. Ms Stirling is currently Executive General Manager of People and Communications at Newcrest Mining Limited, with responsibility for human resources and internal communications. She has previously held senior executive roles with Rinker Group, CSR and Coles Myer.

Ms Stirling is a member of the Audit and Risk Committee, Nomination Committee and Remuneration and HR Committee.

Current Directorships, Executive Positions and Advisory Roles

Ms Stirling is an executive director of Lihir Gold Limited and Executive General Manager People and Communications at Newcrest Mining Limited. She is also a member of the Monash University Mining Advisory Board.

Past Non-executive Directorships (past three years)

None

The interests of each Director in the capital of the Group at the date of this report are set out as follows:

		Number of securities	Number of securities
		30.06.13	30.06.12
Bob Edgar	Held indirectly through SPWB Super Fund	50,000	50,000
Steven Sewell ⁽¹⁾		-	-
Clive Appleton	Held by CR@J Appleton PSF Account	11,850	11,850
Peter Day	Held indirectly	53,621	33,621
Tim Hammon	Held indirectly through Mirabeau Superannuation Pty Ltd ATF the TEH Super Fund	10,000	10,000
Charles Macek	Held indirectly through Kathmandu Investments ATF Excalibur National Private Super Fund	50,000	50,000
Fraser MacKenzie	73,966 held directly and 18,921 held through MacKenzie Superannuation Fund	92,887	58,921
Debra Stirling	Held indirectly	10,000	10,000

⁽¹⁾ Mr Sewell holds 1,649,456 performance rights issued pursuant to the FDC Long Term Incentive Plan.

Information on Company Secretaries

The Company Secretaries are Elizabeth Hourigan and Dimitri Kiriacoulacos. Ms Hourigan is also Senior Legal Counsel of the Group. Ms Hourigan has been Company Secretary of Federation Limited since 2005 and of the Responsible Entity, Federation Centres Limited. Mr Kiriacoulacos is the General Counsel and EGM Corporate Development and oversees the Group's legal, secretariat and compliance teams. Mr Kiriacoulacos has been Company Secretary of Federation Limited since 2010 and the Responsible Entity, Federation Centres Limited, since its inception in 2011.

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 Centres. 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.

Loans to Directors

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

Meetings of Directors

The following table sets out the number of meetings of Directors of Federation Limited and Federation Centres Limited as RE of FCT 1, FCT 2 and FCT 3 (including meetings of committees of Directors), held for the year and the number of meetings attended by each Director:

	Board Meetings	Remuneration and Human Resources Committee	Audit and Risk Committee
Number of meetings held	15	8	6
Number of meetings attended by:			
Bob Edgar	15	#	#
Steven Sewell ⁽¹⁾	13	#	#
Clive Appleton	15	8	6
Peter Day	13	#	6
Tim Hammon	13	8	#
Charles Macek	15	8	#
Fraser MacKenzie	15	#	6
Debra Stirling	14	8	6

⁽¹⁾ Appointed 20 July 2012

Not a member of the committee

Remuneration Report (Audited)

It has been a transformational year for the Group, with the move to the name Federation Centres (FDC) and considerable improvement in the overall business. As part of the change agenda at Federation Centres, the Remuneration and HR Committee (the Committee) completed a thorough review of our remuneration philosophy and policies.

The Board remains committed to the intent of FDC's remuneration policy to attract, reward and retain an engaged, high performing executive team and to develop a diverse talent pool. The aim of this major review is to increase the alignment between management and securityholders; ensure management's focus on those activities that will drive the creation of additional enterprise value; and to allocate the rewards on a more meritocratic basis.

The Committee met with major institutional investors and proxy advisors to discuss remuneration and governance best practice and conducted research into current remuneration practices and market expectations. This included considering the future direction of reward practices, benchmarking our policies against market, analysing remuneration trends and considering specific feedback from securityholders.

With effect from the 2014 financial year our current short-term incentive and long-term incentive programmes will be replaced with one Performance Reward Payment. The reward opportunity will be a percentage of total fixed remuneration (TFR). The underlying philosophy is that of sharing the result of good performance between management and securityholders. The addition of a deferral or lock-up on vested performance rights also will provide an additional retention incentive for key executives.

The key elements of the new programme are that an amount will be paid in cash, an amount will be paid as performance rights, deferred between 12 to 24 months based on the executive's role, and a further amount will be allocated as deferred performance rights, subject to testing after three years. Any deferred performance rights that vest will be held in a trading lock for a year after the performance test, creating a total deferral period of four years. At all times during any restriction period or trading lock the underlying equity may be forfeited or clawed back if any material event subsequently comes to the attention of the Board. The Performance Reward Payment for each year will be self-funded from the respective year's earnings based on target performance.

To provide a more direct connection to FDC's long term strategy, including the focus on development, a new return on equity (ROE) measure will be introduced to focus management attention on the effective use of capital.

The Committee strongly believes that 'skin in the game' through an appropriate mandatory equity holding will increase the connection and alignment of our executives with providing sustainable returns to securityholders. Accordingly, we approved the introduction of a minimum equity holding for senior executives. In the case of the Chief Executive Officer, the minimum equity holding will equate to twelve months TFR and for other senior executives, 60% of TFR. All executives will have five years to reach the required holding.

To recognise the importance of all our employees and not just senior executives and, to strengthen the alignment of all employees with securityholders, we introduced an Exempt Employee Security Plan in January 2013. Eligible employees were granted up to \$1,000 worth of securities in FDC.

A new compliance gateway "*The Right Way*" has been embedded in the performance management process. This effectively lifts the compliance requirements out of the scorecard to be a criteria that must be satisfied to be eligible for a remuneration review.

The Board is pleased to present the Remuneration Report for the 2013 financial year which covers key management personnel who have authority and responsibility for planning, directing and controlling the activities of FDC directly.



18 August 2013

Charles Macek

Chairman, Remuneration and HR Committee

CONTENTS	PAGE NUMBER
Section 1 Overview	20
Section 2 Key management personnel	22
Section 3 Governance	24
Section 4 Remuneration in detail	25
Section 5 Non-executive Directors	43

SECTION 1 – OVERVIEW

FDC's performance and reward approach is designed to build capability and culture to be a leading Australian Real Estate Investment Trust (A-REIT). Remuneration initiatives in the 2013 financial year (FY) have focused on developing market-driven reward structures linked to performance to attract and retain highly motivated and engaged people.

A summary of these initiatives is detailed below.

1. Reviewing the reward framework

During FY2013, the Remuneration and HR Committee (the Committee) undertook a review of the reward framework to ensure that remuneration policies remain appropriate for the organisation's strategic agenda. The review included research into current remuneration practices and market expectations regarding any future direction of reward practices, benchmarking against market practice, and discussions with analysts, major institutional investors and proxy advisors.

As a result of the review, an updated framework has been developed, which reflects the following principles:

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

In FY2014, we will replace the current short-term incentive (STI) and long-term incentive (LTI) programmes with a Performance Reward Payment. The major elements are as follows:

- An amount paid in cash;
- An amount allocated as performance rights, deferred between 12 to 24 months based on the executive's role;
- An amount allocated in performance rights, deferred and tested after three years with reference to:
 - an internal hurdle based on earnings per security (EPS) and Group return on equity (ROE) measures 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, excluding Westfield Group (WDC).

Any securities that vest will be held in a trading lock for a year after the performance test, effectively a total deferral period of four years.

FDC's capital management strategy and philosophy is set out in Note 15 of the financial statements.

2. Linking executive and securityholder interests

To drive further alignment between executive and securityholder interests and to provide a clear focus on long-term, sustainable growth, the following enhancements will also be introduced in FY2014:

- Introduction of deferral for STI into performance rights deferred for between 12 to 24 months and extension of deferral for historic LTI via a 12-month trading lock;
- Enhanced performance measures for the calculation of the Performance Payment Pool via the introduction of a new ROE measure to focus management attention on the effective use of capital, thus providing a more overt connection to FDC's long-term strategy and focus on development; and
- Introduction of a mandatory minimum equity holding for senior executives.

To further encourage all employees – regardless of seniority, their role or business unit – to work together toward the delivery of FDC's strategy, an Exempt Employee Security Plan (EESP) was launched in January 2013. Eligible employees were granted stapled securities in FDC up to the value of \$1,000 for no financial consideration, subject to a minimum three-year holding period from the date the stapled securities were allocated or until cessation of their employment, whichever is earlier. The implementation of the EESP is aimed at lifting the level of equity ownership among employees over time, thus more closely aligning the interests of general employees with those of FDC securityholders. We expect that the EESP will be an annual grant, depending on financial results and at the absolute discretion of the Board.

The 'Right Way' compliance gateway has been introduced and embedded into the performance management framework to reinforce a culture of compliance with legal and regulatory commitments and obligations. Amber or red signals (depending on the severity of the breach) may be assigned at any time a compliance breach is identified, and a formal assessment of the impact of these signals is conducted at performance and remuneration reviews. Employees who receive a red signal will receive an unsatisfactory performance rating and will not be eligible for a fixed remuneration review or short-term incentive award.

3. Attracting and retaining executive talent

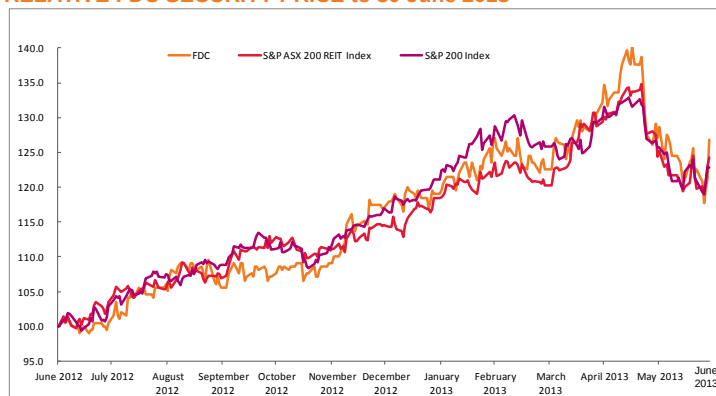
Attracting and retaining executives to lead and manage FDC is a key contributor to business performance. The Board continues its focus on attracting new talent to revitalise and lead FDC, while at the same time retaining those executives with a deep understanding of FDC's operations, challenges and opportunities. During FY2013, FDC appointed Colleen Harris, Kerrie Lavey, Jonathan Timms and Tom Honan as members of the Executive Committee.

Based on external benchmarking analysis, the FY2014 base salary component of Total Fixed Remuneration outcomes for the Executive KMP will remain at the FY2013 levels, with the exception of the Chief Executive Officer (CEO) and the Executive General Manager Corporate Communications which will be increased by \$250,000 and \$40,000 respectively to reflect market relativity. With respect to the CEO the increase also reflects his outstanding performance since commencing in the role in February 2012 and external recognition of this. The CEO was not present and did not participate in the decision by the Board to review his remuneration.

Link to FY2013 financial performance

As a recently stapled group, FDC is unable to provide detailed historical performance metrics (for example, five-year dividend history and TSR performance). The graph in Figure 1 depicts growth in the FDC security price relative to the S&P/ASX 200 and S&P/ASX 200 A-REIT indices over the period from 1 July 2012 to 30 June 2013. The graph assumes that a securityholder starts with an initial investment of \$100 in each of FDC, the S&P/ASX 200 Index and the S&P/ASX 200 A-REIT Index and tracks the change in the value of that investment, based on changes in the security price or index value over the period (including distributions).

Figure 1: Growth in FDC security price
RELATIVE FDC SECURITY PRICE to 30 June 2013



The graph confirms strong trading performance to 30 June 2013. In summary:

- FDC's security price closed at \$1.98 on 29 June 2012 and at \$2.37 on 28 June 2013;
- FDC delivered a 26.8% total return for the year ended 30 June 2013; and
- FDC outperformed the S&P/ASX 200 Index and S&P/ASX 200 A-REIT Index by 2.6% and 4.1% respectively.

SECTION 2 – KEY MANAGEMENT PERSONNEL

This Report covers the full 12 months of FY2013 for directors and senior executives who had authority and responsibility for planning, directing and controlling the activities of FDC (Key Management Personnel).

Consistent with Australian Accounting Standards, key management personnel (KMP) is 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. Within FDC, this means that all executives who meet the following criteria are named as an Executive KMP:

- They are a member of the Executive Committee;
- They are a direct report to the Chief Executive Officer; and
- Their role is seen to be planning, controlling and providing strategic direction to the activities of FDC, as opposed to being purely an advisory role.

Executive KMP

Current Executive KMP	Position
Steven Sewell	Chief Executive Officer and Managing Director
Colleen Harris	Executive General Manager People and Culture (commenced 21 August 2012)
Tom Honan	Chief Financial Officer (commenced 15 May 2013)
Dimitri Kiriacoulacos	General Counsel and Executive General Manager Corporate Development
Kerrie Lavey	Executive General Manager Corporate Communications (commenced 28 August 2012)
Jonathan Timms	Executive General Manager Development and Asset Strategy (commenced 3 September 2012)
Mark Wilson	Chief Operating Officer
Former Executive KMP	Position
Michael Benett⁽¹⁾	Chief Investment Officer (to 30 September 2012)
Gerard Condon⁽²⁾	Executive General Manager Syndicates (to 14 December 2012)
Marlon Teperson⁽³⁾	Chief Financial Officer (to 15 May 2013)

⁽¹⁾ Michael Benett ceased as a member of the Executive Committee on 30 September 2012, however he remained employed up to 2 December 2012.

⁽²⁾ Gerard Condon ceased as a member of the Executive Committee on 14 December 2012. Thereafter, he transitioned to a part-time role as General Manager, Syndicates.

⁽³⁾ Marlon Teperson ceased as a member of the Executive Committee on 15 May 2013, however will continue to be employed up to 31 October 2013 to facilitate an orderly transition.

Non-executive Directors

Current Non-executive Directors	Position
Bob Edgar	Chairman
Clive Appleton	Director Member, Remuneration and HR Committee Member, Audit and Risk Committee
Peter Day	Director Member, Audit and Risk Committee
Tim Hammon	Director Member, Remuneration and HR Committee
Charles Macek	Director Chairman, Remuneration and HR Committee
Fraser MacKenzie	Director Chairman, Audit and Risk Committee
Debra Stirling	Director Member, Remuneration and HR Committee Member, Audit and Risk Committee

SECTION 3 – GOVERNANCE

Board oversight and independence

The Board of Directors has responsibility to ensure good governance is in place in relation to executive 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 only of Non-executive Directors. The Committee is responsible for reviewing and making recommendations on remuneration policies for FDC, including policies governing the remuneration of Executive KMP and other senior executives. Further information regarding the respective roles and responsibilities of the Board and Committee is contained in their respective Charters, available on the FDC website at www.federationcentres.com.au;
2. When considering the recommendations of the Committee, the Board applies a policy prohibiting the Chief Executive Officer (CEO) and other executives from being present and participating in discussions impacting their own remuneration; and
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. KPMG was engaged by the Committee to provide remuneration recommendations in the following areas:

- Reviewing of FDC's proposed reward framework; and
- Benchmarking of CEO and Executive Committee remuneration and Non-executive Director fees against a group of industry peers in the Australian market.

For KPMG's services during FY2013, FDC paid fees of:

- \$74,800 for remuneration recommendations; and
- \$180,209 for all other services, including remuneration, tax and advisory work that do not constitute a remuneration recommendation.

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 remuneration recommendations 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, recommendations are provided directly to the Committee; and
- Professional fee arrangements are agreed directly with the Committee Chairman.

The Board undertook its own enquiries and review of the processes and procedures followed by KPMG and was satisfied that KPMG's remuneration recommendations were made free from any undue influence by the Executive KMP to whom the remuneration recommendations related.

The Board is satisfied that the recommendations were free of undue influence because:

- The protocols adopted by the Board were followed;
- The agreement for services was approved and executed by the Chairman of the Committee under the delegated authority of the Board; and
- The recommendations were provided directly to the Committee.

SECTION 4 – REMUNERATION IN DETAIL

Remuneration mix

Under the current FDC remuneration framework, the total remuneration for Executive KMP is made up of the following components:

- Total fixed remuneration (TFR);
- Short-term incentive (STI); and
- Long-term incentive (LTI).

The relative weightings of the three components comprising total target remuneration of Executive KMP under the current remuneration framework are detailed in Table 1 below. A higher proportion of the Chief Executive Officer (CEO)'s total remuneration is 'at risk' as he has the greatest scope to influence FDC's long-term performance.

Table 1: Relative weightings of total target remuneration

	Percentage of total target remuneration ⁽¹⁾		
	TFR	STI	LTI
Current Executive KMP			
Steven Sewell	31%	31%	38%
Colleen Harris	50%	25%	25%
Tom Honan	43%	22%	35%
Dimitri Kiriacoulacos	47%	23%	30%
Kerrie Lavey	50%	25%	25%
Jonathan Timms	43%	22%	35%
Mark Wilson	43%	22%	35%
Former Executive KMP			
Michael Benett ⁽²⁾	67%	33%	Not applicable
Gerard Condon ⁽²⁾	67%	33%	Not applicable
Marlon Teperson	43%	22%	35%

⁽¹⁾ The percentages reflect the total remuneration opportunity 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 against target for the 'at risk' components.

⁽²⁾ Michael Benett and Gerard Condon did not have a target LTI as they were not eligible for LTI in FY2013. Consequently, the table above depicts a heavier weighting toward their TFR and STI components.

Remuneration components

The key features of FDC's remuneration structure (TFR, STI and LTI) are provided in Tables 2, 3 and 8 below.

Table 2: Key features - TFR

TFR	
Definition	Comprises base salary, superannuation contributions and any salary sacrifice amounts (for example, motor vehicle leases).
Objective	To provide a competitive level of fixed pay that recognises the size and complexity of the role; the relevant job market; and the experience, capability and performance of the incumbent.
Market positioning	TFR for each Executive KMP is positioned at 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. FDC benchmarks its Executive KMP remuneration against two comparator groups: 1. Primary comparator group comprising S&P ASX 200 listed Australian Retail Investment Trusts (A-REITs) on the basis that these companies operate in the same industry as FDC and will generally compete for the same executive talent. Westfield Group has been specifically excluded due to significant difference in size to FDC. 2. Secondary comparator group selected primarily on the market capitalisation of FDC and comprising five companies above and below the market capitalisation of FDC. Although this comparator group includes companies from a variety of industries, it provides a broad overview and sense-check having regard for company size.

Table 3: Key features - STI

STI	
Definition and objective	The STI Plan provides eligible participants with the opportunity to receive an annual, performance-based cash incentive payment, where a combination of company financial and individual performance objectives are achieved.
STI opportunity	Each Executive KMP has an STI opportunity applicable to a target and stretch level of performance: • For the CEO, the STI opportunity at a target level of performance is 100% of TFR, increasing to a maximum of 150% where a stretch level of performance is achieved; and • For other Executive KMP, the STI opportunity at a target level of performance is 50% of TFR, increasing to a maximum of 75% where a stretch level of performance is achieved.
Performance period	The applicable STI performance period for Executive KMP was the full FY2013. Performance objectives for FY2013 were finalised by the FDC Board in the case of the CEO and by the CEO and FDC Board in the case of other Executive KMP. Where an Executive KMP commenced or ceased employment during the year, their STI was evaluated and paid on a pro-rata basis.
Participation	All Executive KMP and other nominated executives and employees.
Payment method	The STI is currently provided as a cash payment, following the Board's review of FDC's financial results at the end of the performance period.

Table 3: Key features – STI (continued)

STI (continued)	
Grant date	STI payments are expected to be made in late August 2013 after finalisation of the FY2013 audited financial statements.
Link with performance (through a combination of Group and individual objectives)	The STI Plan is designed to incentivise and reward high performance by placing a meaningful proportion of the participant's potential remuneration at risk. To align executive interests with FDC's financial performance and strategic goals and objectives (as set out in the table below), STI payments are dependent upon the achievement of a combination of Group financial and individual executive objectives.
Performance targets	Table 4 provides a more detailed overview of the performance objectives and subsequent results for Executive KMP for FY2013.

Table 4: Performance objectives and results for Executive KMP

Objective	Performance measure	Reason the performance measure was adopted	Result
Group financial	Achieve target earnings per security (EPS) as reflected in the Board-approved budget	EPS was considered the appropriate measure of underlying short-term performance that can be directly impacted by management decision-making	Actual result of 15.80 cents per security exceeded stretch objective of 15.75 cents per security
		EPS is a key driver of FDC's capacity to pay distributions, which is typically a primary objective for investors in the S&P/ASX 200 A-REIT Index	
	Complete debt restructure and explore ownership options for core assets and extension of joint venture structures	Balance Sheet strength is a critical foundation for future success	Working capital raised from strategic alliances Purchase of assets from syndicates S&P credit rating of A- for senior secured bank debt and a corporate rating of BBB+
Individual, including people leadership and strategic objectives	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 national and anchor tenant retailers	Ensures quality and security of base income	Objective met – portfolio occupancy maintained at 99.5%

Table 3: Key features – STI (continued)

STI (continued)															
Performance targets (continued)	Table 4: Performance objectives and results for Executive KMP (continued) <table><tr><th>Objective</th><th>Performance measure</th><th>Reason the performance measure was adopted</th><th>Result</th></tr><tr><td rowspan="3">Individual, including people leadership and strategic objectives (continued)</td><td>Devise asset strategy and scope potential development pipeline</td><td>Future shopping centre development is a key driver of future growth</td><td>Objective met – \$1.1 billion development pipeline, with the FDC share at \$581million agreed with the Board</td></tr><tr><td>Lead newly formed functional teams to ensure employees are engaged to deliver on FDC targets</td><td>Alignment of individual and team objectives with the organisation's strategic goals is critical to delivery of agreed initiatives</td><td>Objective met – teams aligned with FDC's key business strategy and functional accountabilities</td></tr><tr><td>Build constructive relationships with existing and potential investors to ensure they are well informed and supportive of FDC's business plans</td><td>Informed investors will help ensure that FDC is perceived positively by external stakeholders</td><td>Objective met – FDC outperformed S&P/ASX 200 Index and S&P/ASX 200 A-REIT Index by 2.6% and 4.1% respectively</td></tr></table>	Objective	Performance measure	Reason the performance measure was adopted	Result	Individual, including people leadership and strategic objectives (continued)	Devise asset strategy and scope potential development pipeline	Future shopping centre development is a key driver of future growth	Objective met – \$1.1 billion development pipeline, with the FDC share at \$581million agreed with the Board	Lead newly formed functional teams to ensure employees are engaged to deliver on FDC targets	Alignment of individual and team objectives with the organisation's strategic goals is critical to delivery of agreed initiatives	Objective met – teams aligned with FDC's key business strategy and functional accountabilities	Build constructive relationships with existing and potential investors to ensure they are well informed and supportive of FDC's business plans	Informed investors will help ensure that FDC is perceived positively by external stakeholders	Objective met – FDC outperformed S&P/ASX 200 Index and S&P/ASX 200 A-REIT Index by 2.6% and 4.1% respectively
Objective	Performance measure	Reason the performance measure was adopted	Result												
Individual, including people leadership and strategic objectives (continued)	Devise asset strategy and scope potential development pipeline	Future shopping centre development is a key driver of future growth	Objective met – \$1.1 billion development pipeline, with the FDC share at \$581million agreed with the Board												
	Lead newly formed functional teams to ensure employees are engaged to deliver on FDC targets	Alignment of individual and team objectives with the organisation's strategic goals is critical to delivery of agreed initiatives	Objective met – teams aligned with FDC's key business strategy and functional accountabilities												
	Build constructive relationships with existing and potential investors to ensure they are well informed and supportive of FDC's business plans	Informed investors will help ensure that FDC is perceived positively by external stakeholders	Objective met – FDC outperformed S&P/ASX 200 Index and S&P/ASX 200 A-REIT Index by 2.6% and 4.1% respectively												
Balance between financial and non-financial targets	Table 5 provides details of the balance between financial and non-financial targets for Executive KMP for FY2013. Table 5: Balance between financial and non-financial targets <table><tr><th></th><th>% financial targets</th><th>% non-financial targets</th></tr><tr><td>Steven Sewell</td><td>40%</td><td>60%</td></tr><tr><td>All other current Executive KMP</td><td>25% to 40%</td><td>60% to 75%</td></tr><tr><td>Former Executive KMP</td><td>40% to 50%</td><td>50% to 60%</td></tr></table>		% financial targets	% non-financial targets	Steven Sewell	40%	60%	All other current Executive KMP	25% to 40%	60% to 75%	Former Executive KMP	40% to 50%	50% to 60%		
	% financial targets	% non-financial targets													
Steven Sewell	40%	60%													
All other current Executive KMP	25% to 40%	60% to 75%													
Former Executive KMP	40% to 50%	50% to 60%													
Assessment of performance	The Committee, with input from the FDC 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 own individual objectives and makes recommendations to the Committee for consideration. In turn, the Committee makes recommendations to the Board for final determination.														

Table 3: Key features – STI (continued)

STI (continued)	
Cessation of employment	Generally, an STI entitlement 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 an FDC-initiated termination other than for cause (for example, genuine redundancy), the Executive KMP may receive a pro-rated STI payment for the portion of the performance period they were employed by FDC. The STI will be paid at the same time as all others.
Outcomes – financial	The calculation of financial performance for FY2013 was undertaken in July 2013 by comparing actual performance against the agreed performance objectives. Table 6 below provides further detail on the EPS targets that applied, the performance level required to achieve a 'maximum' level of payment for STI purposes, and the actual EPS result achieved.

Table 6: EPS targets

Element	Target objective (cents per security)	Stretch objective (cents per security)	Actual result⁽¹⁾ (cents per security)
EPS	15.60	15.75	15.80

⁽¹⁾ Based on underlying earnings included in the Segment Income Statement as per Note 4 of the Financial Report.

STI awards for Executive KMP

STI opportunities and outcomes for FY2013 for Executive KMP are set out in Table 7.

Table 7: STI opportunities and outcomes for FY2013

	Target STI as % of TFR	Maximum STI opportunity as % of TFR	Actual STI awarded (\$)	% of maximum STI opportunity awarded ⁽¹⁾
Current Executive KMP				
Steven Sewell	100%	150%	1,282,500	95%
Colleen Harris ⁽²⁾	50%	75%	285,503	98%
Tom Honan ⁽³⁾	50%	75%	-	Not applicable
Dimitri Kiriacoulacos	50%	75%	395,500	93%
Kerrie Lavey ⁽²⁾	50%	75%	238,819	98%
Jonathan Timms ⁽²⁾	50%	75%	375,219	93%
Mark Wilson	50%	75%	463,750	88%
Former Executive KMP				
Michael Benett ⁽⁴⁾	50%	75%	77,671	93%
Gerard Condon ⁽⁴⁾	50%	75%	134,714	100%
Marlon Teperson ⁽⁴⁾	50%	75%	458,836	100%

⁽¹⁾ The proportion of maximum STI opportunity that was not awarded for FY2013 has lapsed.

⁽²⁾ The STI awards for Colleen Harris, Kerrie Lavey and Jonathan Timms have been pro-rated to reflect their specific period of employment during the financial year.

⁽³⁾ Tom Honan was not eligible for an FY2013 STI award.

⁽⁴⁾ The STI amounts for Michael Benett, Gerard Condon and Marlon Teperson relate to the period they were Executive KMP.

Table 8: Key features – LTI

LTI	
Objective	The objective of the LTI is to ensure that securityholder and executive interests are aligned and to retain and incentivise executives over the longer term.
Definition/equity instrument	The FY2012 and FY2013 LTI offers consisted of a grant of performance rights under the FDC Long Term Incentive Plan (the Plan). Each performance right provides the participant with the right to receive one FDC stapled security at a future time for nil consideration, subject to the achievement of agreed performance hurdles as set out below.
LTI opportunity	Table 9 indicates the value of the grants, expressed as a percentage of TFR, made under the FY2012 and FY2013 LTI offers to Executive KMP.

Table 9: Grant value of LTI offer as a percentage of TFR

	LTI grant value as a percentage of TFR at date of LTI offer	
	FY2013	FY2012
Executive KMP		
Steven Sewell	120%	120%
Colleen Harris ⁽¹⁾	50%	Not applicable
Tom Honan ⁽²⁾	Not applicable	Not applicable
Dimitri Kiriacoulacos	65%	50%
Kerrie Lavey ⁽¹⁾	50%	Not applicable
Jonathan Timms ⁽¹⁾	80%	Not applicable
Mark Wilson	80%	80%
Former Executive KMP		
Michael Benett ⁽³⁾	Not applicable	65%
Gerard Condon ⁽³⁾	Not applicable	65%
Marlon Teperson ⁽¹⁾	80%	Not applicable

⁽¹⁾ Colleen Harris, Kerrie Lavey, Jonathan Timms and Marlon Teperson did not participate in the FY2012 LTI grant as their employment with FDC commenced after the FY2012 LTI offer.

⁽²⁾ Tom Honan commenced employment with FDC after the FY2013 LTI grant.

⁽³⁾ Michael Benett and Gerard Condon did not receive offers to participate in the FY2013 LTI grant.

Performance period	The LTI performance period typically covers a period of three years. However as FDC securities commenced trading on the ASX from 5 December 2011, the performance period for the FY2012 grant is less than three years. The performance periods are as follows: • FY2012 grant: 5 December 2011 to 30 June 2014 • FY2013 grant: 1 July 2012 to 30 June 2015.
Participation	All Executive KMP, members of the Executive Committee and other nominated senior employees. For FY2014, participation will generally be restricted to members of the Executive Committee.

Table 8: Key features – LTI (continued)

LTI (continued)																	
Performance hurdles	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 FDC'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 FDC's capacity to pay distributions, which is typically a primary objective for investors in the S&P/ASX 200 A-REIT Index. As outlined, for FY2014 a new ROE measure will be introduced to ensure alignment with FDC's long-term strategy regarding redevelopment.																
Relative TSR	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. For the FY2012 and FY2013 LTI grants, the Board decided that an appropriate comparator group for the relative TSR performance hurdle was the S&P/ASX 200 A-REIT Index. This index currently includes the following companies: <table> <tr> <td>Abacus Property Group</td><td>Goodman Group</td></tr> <tr> <td>Australand Holdings Limited</td><td>GPT Group</td></tr> <tr> <td>BWP Trust</td><td>Investa Office Fund</td></tr> <tr> <td>CFS Retail Property Trust</td><td>Mirvac Group</td></tr> <tr> <td>Charter Hall Group</td><td>Shopping Centres Australasia Property Group</td></tr> <tr> <td>Charter Hall Retail REIT</td><td>Stockland Corporation Limited</td></tr> <tr> <td>Commonwealth Property Office Fund</td><td>Westfield Group</td></tr> <tr> <td>Dexus Property Group</td><td>Westfield Retail Trust</td></tr> </table> 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. FDC'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 FDC's relative TSR performance. The percentage of TSR performance rights which vest, if any, will be determined by reference to the percentile ranking achieved by FDC over the performance period compared to the comparator group, as follows:	Abacus Property Group	Goodman Group	Australand Holdings Limited	GPT Group	BWP Trust	Investa Office Fund	CFS Retail Property Trust	Mirvac Group	Charter Hall Group	Shopping Centres Australasia Property Group	Charter Hall Retail REIT	Stockland Corporation Limited	Commonwealth Property Office Fund	Westfield Group	Dexus Property Group	Westfield Retail Trust
Abacus Property Group	Goodman Group																
Australand Holdings Limited	GPT Group																
BWP Trust	Investa Office Fund																
CFS Retail Property Trust	Mirvac Group																
Charter Hall Group	Shopping Centres Australasia Property Group																
Charter Hall Retail REIT	Stockland Corporation Limited																
Commonwealth Property Office Fund	Westfield Group																
Dexus Property Group	Westfield Retail Trust																

Table 10: TSR hurdles – FY2012 and FY2013 grant

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

Table 8: Key features – LTI (continued)

LTI (continued)																									
Underlying EPS	The other 50% of the performance rights is subject to an underlying EPS performance hurdle. Broadly, EPS measures the percentage earnings generated by FDC attributable to each security on issue. Performance rights subject to the underlying EPS hurdle will vest in accordance with the following scale: <i>Table 11: EPS hurdle</i> <table> <tr> <th>Percentage of underlying EPS target achieved</th><th>Percentage of underlying EPS performance rights to vest</th></tr> <tr> <td colspan="2">FY2013 grant</td></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%</td><td>100%</td></tr> <tr> <td colspan="2">FY2012 grant</td></tr> <tr> <td>98%</td><td>50%</td></tr> <tr> <td>99%</td><td>70%</td></tr> <tr> <td>100%</td><td>80%</td></tr> <tr> <td>101%</td><td>90%</td></tr> <tr> <td>102% and above</td><td>100%</td></tr> </table> The underlying EPS vesting scale for the FY2012 LTI grant was against a backdrop of significant uncertainty and reflected the transitional environment and challenges faced in forecasting an EPS target for FY2014 at the point at which the new entity was only just established. 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. FDC will disclose the actual EPS targets applicable to the LTI grants at the end of the relevant performance period.	Percentage of underlying EPS target achieved	Percentage of underlying EPS performance rights to vest	FY2013 grant		less than 100%	0%	100%	50%	101%	75%	102%	100%	FY2012 grant		98%	50%	99%	70%	100%	80%	101%	90%	102% and above	100%
Percentage of underlying EPS target achieved	Percentage of underlying EPS performance rights to vest																								
FY2013 grant																									
less than 100%	0%																								
100%	50%																								
101%	75%																								
102%	100%																								
FY2012 grant																									
98%	50%																								
99%	70%																								
100%	80%																								
101%	90%																								
102% and above	100%																								
Assessment of performance	The relative TSR will be calculated by an external advisor on the third anniversary of the allocation of the performance rights. However, for the FY2012 grant, the relative TSR calculations will cover the performance period between 5 December 2011 and 30 June 2014. The EPS target will be tested upon the Board's approval of the audited financial statements at the end of the performance period. The outcome of the test will be measured against the schedule disclosed.																								
Rights attaching to performance rights	Until the performance rights vest, an executive 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, and any performance rights that do not vest at the end of the performance period will lapse.																								

Table 8: Key features – LTI (continued)

LTI (continued)

Forfeiture of performance rights

There are a number of circumstances in which executives' performance rights will not vest (i.e. other than failure to meet the performance hurdle thresholds). These include where an executive:

- Resigns, or is terminated for poor performance;
- Deals (or purports to deal) with their performance rights in contravention of the Plan Rules or Offer Letter; or
- Acts fraudulently or in a manner that brings the Group into disrepute or where 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's completed service may still vest at the end of the performance period subject to meeting the performance measures under the Plan. The Board retains discretion to determine the treatment of an executive's performance rights upon cessation of employment.

The Plan Rules provide for a 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 LTI securities where the participant's performance rights have vested as a result of someone else's fraud, dishonesty or non-compliance.

Linking LTI outcomes with Group performance

No performance rights vested in FY2013. The FY2012 LTI grant will be tested at the completion of FY2014.

As required by the Corporations Act, Table 12 sets out FDC's performance during FY2012 and FY2013 in Australian dollars (five-year historical performance information not being available).

Table 12: FDC Group performance snapshot

Period	Opening security price (\$)	Closing security price (\$)	Security price appreciation (%)	Dividend per security declared (cents)
FY2013	1.98	2.37	19.70	14.10 ⁽¹⁾
FY2012	1.70	1.98	16.47	6.50 ⁽²⁾

⁽¹⁾ Interim dividend of 6.6 cents was paid on 28 February 2013. Final dividend of 7.5 cents is payable on 28 August 2013.

⁽²⁾ Final dividend was paid on 28 August 2012.

Change of control

In the event of a change of control, the Board has discretion to determine the treatment of unvested performance rights in accordance with the LTI Plan Rules. In making its determination, the Board will consider a number of factors it considers relevant, which may include performance against the performance conditions up to the date of the change of control event (the event), the portion of the performance period elapsed at the date of the event and the nature of the event.

Performance rights granted

LTI granted in FY2012 and FY2013 is summarised in Table 13.

Table 13: LTI grants

FY2013 LTI grants

	Performance condition ⁽¹⁾	Number of performance rights granted ⁽²⁾	Grant date	Fair value per performance right at grant date ⁽³⁾	Fair value of rights ⁽⁴⁾ (\$)
Current Executive KMP					
Steven Sewell	Relative TSR	404,495	1-Nov-12	1.07	432,810
	EPS	404,494		1.81	732,134
	Total	808,989			1,164,944
Colleen Harris	Relative TSR	84,270	1-Nov-12	1.07	90,169
	EPS	84,270		1.81	152,529
	Total	168,540			242,698
Dimitri Kiriacoulacos	Relative TSR	137,547	1-Nov-12	1.07	147,175
	EPS	137,547		1.81	248,960
	Total	275,094			396,135
Kerrie Lavey	Relative TSR	72,098	1-Nov-12	1.07	77,145
	EPS	72,097		1.81	130,496
	Total	144,195			207,641
Jonathan Timms	Relative TSR	194,757	1-Nov-12	1.07	208,390
	EPS	194,757		1.81	352,510
	Total	389,514			560,900
Mark Wilson	Relative TSR	209,738	1-Nov-12	1.07	224,420
	EPS	209,738		1.81	379,626
	Total	419,476			604,046
Former Executive KMP					
Marlon Teperson	Relative TSR	209,738	1-Nov-12	1.07	224,420
	EPS	209,738		1.81	379,626
	Total	419,476			604,046

Table 13: LTI grants (continued)

FY2012 LTI grants

	Performance condition ⁽⁵⁾	Number of performance rights granted ⁽²⁾	Grant date	Fair value per performance right at grant date ⁽³⁾	Fair value of rights ⁽⁴⁾ (\$)
Current Executive KMP					
Steven Sewell	Relative TSR	420,234	5-Apr-12	0.98	411,829
	EPS	420,233		1.60	672,373
	Total	840,467			1,084,202
Dimitri Kiriacoulacos	Relative TSR	113,912	17-May-12	1.01	115,051
	EPS	113,911		1.67	190,231
	Total	227,823			305,282
Mark Wilson	Relative TSR	225,807	17-May-12	1.01	228,065
	EPS	225,806		1.67	377,096
	Total	451,613			605,161
Former Executive KMP					
Michael Benett ⁽⁶⁾	Relative TSR	117,944	17-May-12	1.01	119,123
	EPS	117,944		1.67	196,967
	Total	235,888			316,090
Gerard Condon	Relative TSR	131,049	17-May-12	1.01	132,360
	EPS	131,048		1.67	218,850
	Total	262,097			351,210

⁽¹⁾ Performance rights in the FY2013 grant are subject to performance from 1 July 2012 to 30 June 2015. No performance rights vested in FY2013 and no performance rights were forfeited.

⁽²⁾ The grants made to Executive KMP represented their full LTI entitlement for the relevant financial year. The number of performance rights granted was calculated with reference to the grant value at the date of the LTI offer calculated by independent consultants (KPMG).

⁽³⁾ 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 EPS performance rights does not. This results in a lower fair value for TSR performance rights when compared to EPS performance rights.

⁽⁴⁾ The value of the grant has been estimated based on the fair value per instrument as of 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⁾ Performance rights for the FY2012 grant are subject to performance from 5 December 2011 to 30 June 2014. No performance rights vested in FY2012 or FY2013.

⁽⁶⁾ As a result of Michael Benett's cessation of employment with FDC, 58.34% of the performance rights granted in FY2012 (or 137,617 of the total granted of 235,888) were forfeited, with the balance of 98,271 remaining on foot. There will be no accelerated vesting of the performance rights that remain on foot and they will remain subject to the same performance period and the same performance conditions as all other FY2012 LTI grants.

Employment agreements

Remuneration and other terms of employment for Executive KMP are formalised in Executive Services Agreements (ESAs). Terms in the ESAs have been reviewed to reflect current market practice.

Key features of all ESAs for Executive KMP include:

- Eligibility to participate in STI and LTI plans;
- Ongoing employment until terminated by either the Executive KMP member or FDC;
- FDC may make payments in lieu of all or part of the applicable notice period;
- 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.

Key features of earlier ESAs are as follows:

- Fundamental change - the Executive KMP member may terminate their employment on six months' notice or immediately in the case of fundamental change. 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;
- FDC may terminate on 12 months' notice or immediately in certain circumstances, including serious misconduct or serious negligence in the performance of duties; and
- The Executive KMP will receive up to 12 months' TFR where they terminate for fundamental change.

In the case of Colleen Harris:

- She may terminate her employment on three months' notice or immediately in the case of fundamental change; and
- FDC may terminate on six months' notice or immediately in certain circumstances, including serious misconduct or serious negligence in the performance of duties.

In the case of Tom Honan:

- He may terminate his employment on six months' notice;
- FDC may terminate on six months' notice or immediately in certain circumstances, including serious misconduct or serious negligence in the performance of duties; and
- There are no clauses relating to fundamental change in his contract.

CEO remuneration

FDC benchmarks its CEO remuneration against two comparator groups:

1. Primary comparator group comprising S&P ASX 200 listed A-REITs and other selected real estate companies on the basis that these companies operate in the same industry as FDC and will generally compete for the same CEO talent. Westfield Group has been specifically excluded due to the significant difference in size to FDC; and
2. Secondary comparator group selected primarily on market capitalisation of FDC and comprising five companies above and below the market capitalisation of FDC. Although this comparator group includes companies from a variety of industries, it provides a broad overview and sense-check having regard for company size.

Key features of Steven Sewell's remuneration are provided in Table 14.

CEO remuneration (continued)

Table 14: Key features – CEO remuneration

Component	Explanation
Executive Services Agreement	The ESA has no fixed term. Under the terms of the agreement, Mr Sewell is required to provide the Group with six months' notice upon resignation. The Group may provide 12 months' notice where it terminates employment. The Group is entitled to pay Mr Sewell in lieu of part or all of the applicable notice period.
TFR	Mr Sewell receives a TFR of \$900,000 per annum, which includes the Group's contributions to his nominated superannuation fund of at least the minimum statutory amount.
STI	Mr Sewell has an STI opportunity of between 100% of TFR (for target performance) to a maximum of 150% (where a stretch level of performance is achieved). Payment of the STI is subject to the achievement of Group financial and non-financial objectives set by the Board and specific to the CEO role. Table 15 provides an overview of the performance objectives and subsequent results for FY2013 as assessed by the Committee, FDC Chairman and the Board.

Table 15: Performance objectives and results for the CEO

Objective and weighting	Measure	Reason chosen	Result as assessed by the Board
Leadership and operational excellence (30%)	Lead and manage an effective and engaged leadership team to ensure FDC delivers on targets. Review organisational effectiveness, including structure, culture, brand, and systems.	A highly effective leadership team and optimal organisational structure are critical to ensuring FDC is well positioned to deliver on its critical initiatives.	Exceeded – 'stretch' level of performance achieved. Managed review and assessment of organisational structure and team capability, brand, values and systems to the satisfaction of the Board.
Financial (40%)	Achieve target EPS and operating metrics (including distributions per security and underlying earnings). Complete debt restructure and explore ownership options for core assets and extension of joint venture structures.	Indicator of company's profitability. Maximise securityholder value and confidence.	Consistent with other Executive KMP, the Board has determined this component will be awarded at 100% of the maximum.
Strategic (30%)	Lead strategic review and refresh business plan. Simplify and protect equity investment and establish product for future growth and enhanced ROE. Deliver a vision, strategy, structure and business plan that delivers an improvement in portfolio and operational performance.	Achieving these will ensure that FDC is positively regarded as an investment and employer of choice, with a clear vision, strategy and business plan.	Exceeded – 'stretch' level of performance achieved. Strategic initiatives in place and key milestones completed to the satisfaction of the Board.

CEO remuneration (continued)

Table 14: Key features – CEO remuneration (continued)

Component	Explanation
LTI	An FY2013 grant of performance rights to the value of \$1.08 million, or 120% of TFR, subject to the satisfaction of performance conditions as described in Section 4.
Relocation allowance	\$100,000 each year for the first two years of employment to cease in January 2014.

TOTAL REMUNERATION

Table 16 details remuneration expenses for Executive KMP for FY2012 and FY2013.

The FY2012 amounts relate to two distinct periods in FDC's history. Prior to Aggregation, FDC (previously Centro Retail Limited) was stapled to Centro Retail Trust, and the listed stapled entity was known as Centro Retail Group (CER). CER did not have any employees until Aggregation, and all employees were employed by CNPR Group. During this period, remuneration programmes that focused on achieving recapitalisation and restructuring objectives and the retention of key executives and employees were utilised, including the cash based long-term compensation plan (LTCP) and Special Bonus Plan. On Aggregation, FDC became the employer of CNPR Group employees. Therefore, the FY2012 amounts in Table 9 below relate both to the Executive KMP's employment with:

1. CNPR Group during the Pre-Aggregation Period (1 July to 30 November 2011) and expensed by CNPR (voluntary disclosure); and
2. FDC (1 December 2011 to 30 June 2012).

Table 16: Total Executive KMP remuneration for FY2012 and FY2013

Executive KMP	Period	Short-term benefits				Other long-term benefits			Share-based payments	Post-employment	Termination benefits	Total
		Base salary	STI ⁽¹⁾	Non-monetary ⁽²⁾	Other ⁽³⁾	Cash based LTCP ⁽⁴⁾	Leave entitlements ⁽⁵⁾	Special Bonus Plan ⁽⁶⁾	Performance rights ⁽⁷⁾	Superannuation contributions		
		(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Current Executive KMP												
	FY2013	880,019	1,282,500	2,364	100,000	-	-	-	807,704	16,470	-	3,089,057
Steven Sewell	FDC	315,147	458,705	546	391,667	-	-	-	244,003	5,259	-	1,415,327
	CNPR	-	-	-	-	-	-	-	-	-	-	-
	Total FY2012	315,147	458,705	546	391,667	-	-	-	244,003	5,259	-	1,415,327
Colleen Harris ⁽⁸⁾	FY2013	301,252	285,503	3,542	-	-	-	-	80,751	12,353	-	683,401
Tom Honan ^{(8),(9)}	FY2013	105,070	-	197	-	-	-	-	9,658	2,745	-	117,670

Table 16: Total Executive KMP remuneration for FY2012 and FY2013 (continued)

Executive KMP	Period	Short-term benefits				Other long-term benefits			Share-based payments	Post-employment	Termination benefits	Total
		Base salary	STI ⁽¹⁾	Non-monetary ⁽²⁾	Other ⁽³⁾	Cash based LTCP ⁽⁴⁾	Leave entitlements ⁽⁵⁾	Special Bonus Plan ⁽⁶⁾	Performance rights ⁽⁷⁾	Superannuation contributions		
		(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
	FY2013	527,260	395,500	3,915	-	-	-	-	250,093	16,470	-	1,193,238
Dimitri Kiriacoulacos	FDC	320,381	212,596	3,801	-	65,660	-	-	68,705	9,203	-	680,346
	CNPR	208,593	151,854	2,715	-	46,900	-	103,846	-	6,573	-	520,481
	Total FY2012	528,974	364,450	6,516	-	112,560	-	103,846	68,705	15,776	-	1,200,827
Kerrie Lavey ⁽⁸⁾	FY2013	328,090	238,819	2,423	-	-	-	-	69,087	13,725	-	652,144
Jonathan Timms ⁽⁸⁾	FY2013	553,466	375,219	21,501	29,609	-	-	-	186,625	13,725	-	1,180,145
	FY2013	679,718	463,750	9,387	-	-	11,212	233,333	435,464	16,470	-	1,849,334
Mark Wilson	FDC	398,423	265,475	5,036	-	94,694	25,893	326,667	136,193	9,911	-	1,262,292
	CNPR	251,047	189,625	3,597	-	67,639	14,595	350,000	-	7,286	-	883,789
	Total FY2012	649,470	455,100	8,633	-	162,333	40,488	676,667	136,193	17,197	-	2,146,081
	FY2013	3,374,875	3,041,291	43,329	129,609	-	11,212	233,333	1,839,382	91,958	-	8,764,989
Subtotal Current Executive KMP	FDC	1,033,951	936,776	9,383	391,667	160,354	25,893	326,667	448,901	24,373	-	3,357,965
	CNPR	459,640	341,479	6,312	-	114,539	14,595	453,846	-	13,859	-	1,404,270
	Total FY2012	1,493,591	1,278,255	15,695	391,667	274,893	40,488	780,513	448,901	38,232	-	4,762,235

Table 16: Total Executive KMP remuneration for FY2012 and FY2013 (continued)

Executive KMP	Period	Short-term benefits				Other long-term benefits			Share-based payments	Post-employment	Termination benefits	Total
		Base salary	STI ⁽¹⁾	Non-monetary ⁽²⁾	Other ⁽³⁾	Cash based LTCP ⁽⁴⁾	Leave entitlements ⁽⁵⁾	Special Bonus Plan ⁽⁶⁾	Performance rights ⁽⁷⁾	Superannuation contributions		
		(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Former Executive KMP												
	FY2013	116,658	77,671	668	-	-	1,725	-	60,546	4,118	372,116	633,502
Michael Benett ⁽¹⁰⁾	FDC	253,297	153,504	1,914	-	70,984	4,221	-	71,137	9,203	-	564,260
	CNPR	173,427	109,646	1,367	-	50,703	9,009	92,308	-	6,573	-	443,033
	Total FY2012	426,724	263,150	3,281	-	121,687	13,230	92,308	71,137	15,776	-	1,007,293
	FY2013	212,559	134,714	4,665	-	-	3,516	-	272,169	7,482	500,000	1,135,105
Gerard Condon ⁽¹⁰⁾	FDC	265,307	163,707	13,831	-	76,247	4,706	-	79,041	12,703	-	615,542
	CNPR	177,860	116,933	20,975	-	54,462	18,959	99,231	-	8,073	-	496,493
	Total FY2012	443,167	280,640	34,806	-	130,709	23,665	99,231	79,041	20,776	-	1,112,035
	FY2013	593,089	458,836	13,158	97,325	-	-	-	394,428	14,389	-	1,571,225
Marlon Teperson ⁽¹⁰⁾	FDC	142,985	89,190	273	599	-	-	-	-	2,629	-	235,676
	CNPR	-	-	-	-	-	-	-	-	-	-	-
	Total FY2012	142,985	89,190	273	599	-	-	-	-	2,629	-	235,676
	FY2013	-	-	-	-	-	-	-	-	-	-	-
Chris Nunn	FDC	271,865	145,384	1,310	-	96,837	-	-	-	23,108	552,729	1,091,233
	CNPR	212,988	103,846	9,147	-	69,169	-	126,923	-	19,291	-	541,364
	Total FY2012	484,853	249,230	10,457	-	166,006	-	126,923	-	42,399	552,729	1,632,597

Table 16: Total Executive KMP remuneration for FY2012 and FY2013 (continued)

Executive KMP	Period	Short-term benefits				Other long-term benefits			Share-based payments	Post-employment	Termination benefits	Total
		Base salary	STI ⁽¹⁾	Non-monetary ⁽²⁾	Other ⁽³⁾	Cash based LTCP ⁽⁴⁾	Leave entitlements ⁽⁵⁾	Special Bonus Plan ⁽⁶⁾	Performance rights ⁽⁷⁾	Superannuation contributions		
		(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
	FY2013	-	-	-	-	-	-	-	-	-	-	-
Robert Tsenin	FDC	373,556	444,200	29,532	-	-	-	-	-	14,606	516,699	1,378,593
	CNPR	622,593	1,001,566	43,411	-	1,375,000	-	-	-	6,573	-	3,049,143
	Total FY2012	996,149	1,445,766	72,943	-	1,375,000	-	-	-	21,179	516,699	4,427,736
	FY2013	4,297,181	3,712,512	61,820	226,934	-	16,453	233,333	2,566,525	117,947	872,116	12,104,821
Total	FDC	2,340,961	1,932,761	56,243	392,266	404,422	34,820	326,667	599,079	86,622	1,069,428	7,243,269
	CNPR	1,646,508	1,673,470	81,212	-	1,663,873	42,563	772,308	-	54,369	-	5,934,303
	Total FY2012	3,987,469	3,606,231	137,455	392,266	2,068,295	77,383	1,098,975	599,079	140,991	1,069,428	13,177,572

⁽¹⁾ STI awards are to be paid in late August 2013 (following Board approval of the audited FY2013 financial statements).

⁽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 FDC and CNPR on behalf of the Executive KMP).

⁽³⁾ Other benefits include relocation allowances or reimbursements. In the case of Steven Sewell, the FY2012 amount also includes a sign-on bonus paid on commencement.

⁽⁴⁾ This was a legacy cash based retention incentive plan put in place prior to Aggregation. Payment of the first tranche was made prior to Aggregation and funded by CNPR. The second tranche, expensed in CNPR in FY2011 was paid in January 2012. The third and final tranche (which vested as at 30 June 2012) was paid by and partially funded by FDC in July 2012 (7 months). This completed FDC's obligations to make payments to executives under this historical plan.

⁽⁵⁾ Leave entitlements reflect long-service leave accrued for the period.

⁽⁶⁾ The special bonus plan was a cash based plan with all payments finalised and paid. All grants under this plan have been funded by CNPR.

⁽⁷⁾ 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 LTI plan that remained unvested as at 30 June 2013. The fair value of the equity instruments is determined as at the grant date and is progressively allocated over the vesting period. 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.

⁽⁸⁾ There are no FY2012 comparatives as the Executive KMP commenced employment in FY2013.

⁽⁹⁾ The total value of the rights offered to Tom Honan is \$100,000 and the rights will vest conditional on continued service, adherence with internal compliance programmes and satisfactory performance. Subject to these conditions, 50% of the rights will vest on the first anniversary of his commencement, and the remaining 50% on the second anniversary. The pro-rated value of these rights has been included as his remuneration for FY2013.

⁽¹⁰⁾ Amounts included in FY2013 relate to the period as Executive KMP. Termination benefits to Michael Bennett and Gerard Condon are based on the provisions of their Executive Services Agreements. Under the Aggregation Implementation Agreement, CNPR Group would fund these amounts and accordingly will reimburse FDC. Marlon Teperson did not receive any termination benefits in line with his ongoing employment arrangement.

SECTION 5 – NON-EXECUTIVE DIRECTORS

Remuneration philosophy

Table 17 below details the remuneration philosophy for Non-executive Directors of FDC and provides an overview of the key components of their remuneration.

Table 17: Key components of Non-executive Directors remuneration

Philosophy	Explanation
Securing and retaining talented and qualified Directors	Fee levels are set with regard to: • Time commitment and workload; • The risk and responsibility attached to the role; and • External market benchmarking. Non-executive Director and Committee fees are positioned between the median and 75th percentile of the primary comparator group. Further detail regarding external market benchmarking is provided below.
Promoting independence and impartiality	No element of Non-executive Director remuneration is 'at risk'; i.e. it is not based on the performance of FDC.
Aggregate Board and committee fees are approved by securityholders	The current fee pool of \$2.25 million was endorsed by FDC securityholders in November 2011. No increase to the Non-executive Director fee pool will be sought at the 2013 Annual General Meeting.

Board and committee fees

The Remuneration and HR Committee engaged KPMG to undertake a benchmarking analysis of Non-executive Director fees in the external market.

The review included comparisons of Non-executive Director fees against two comparator groups:

- Primary comparator group comprising S&P ASX 200 listed A-REITs and other selected real estate companies on the basis that they operate in the same industry as FDC and will generally compete for the same director talent. Westfield Group has been specifically excluded due to the significant difference in size to FDC; and
- Secondary comparator group selected primarily on market capitalisation of FDC and comprising five companies above and below the market capitalisation of FDC. Although this comparator group includes companies from a variety of industries, it provides a broad overview and sense-check having regard for company size.

Based on the external benchmarking analysis, FDC Board and Committee fees (inclusive of company superannuation contributions) were established as detailed in Table 18 below.

Table 18: FY2013 FDC Board and Committee fees

Board/committee	Role	FY2013 fees (\$)
Board	Chairman	450,000
	Non-executive Director	160,000
Audit and Risk Committee	Chairman	40,000
	Non-executive Director	20,000
Remuneration and HR Committee	Chairman	35,000
	Non-executive Director	20,000

The FY2014 fees for Board and Committee membership will remain at FY2013 levels, with the exception of the fee paid to the Chairman of the Remuneration and HR Committee which will be increased by \$5,000. This reflects the significant increase in workload of the Remuneration and HR Committee Chairman resulting from increasing effort due to current market expectations. The Chairman of the Remuneration and HR Committee did not participate in the decision to review his fee and abstained from voting.

The Chairman of the Board receives no further remuneration for committee membership, although he may attend committee meetings.

On occasion, Non-executive Directors may sit on ad hoc committees of the Board. In these instances they may receive additional fees. During FY2013, no payments for membership of ad hoc committees were made.

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

Non-executive Directors fees for FY2013 are set out in Table 19 below.

Table 19: Non-executive Directors fees for FY2012 and FY2013

Non-executive Director	Period	Short-term benefits				Post-employment benefit ⁽¹⁾	Total fees
		Fees	Committee fees	Special payments ⁽²⁾	Non-monetary benefits	Superannuation contributions	
		(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Current Non-executive Directors							
Bob Edgar	FY2013	433,530	-	-	-	16,470	450,000
	FY2012 ⁽³⁾	238,823	-	-	-	9,203	248,026
Clive Appleton	FY2013	146,789	36,741	-	-	16,470	200,000
	FY2012 ⁽⁴⁾	80,169	16,750	-	-	8,363	105,282
Peter Day	FY2013	149,666	18,708	-	-	11,626	180,000
	FY2012 ^{(5),(7)}	243,952	8,210	100,000	-	15,233	367,395
Tim Hammon	FY2013	149,666	18,708	-	-	11,626	180,000
	FY2012 ⁽⁴⁾	80,169	8,210	-	-	7,954	96,333
Charles Macek	FY2013	146,789	32,110	-	-	16,101	195,000
	FY2012 ⁽⁴⁾	80,169	14,513	-	-	8,363	103,045
Fraser MacKenzie	FY2013	148,288	37,072	-	-	14,640	200,000
	FY2012 ^{(6),(7)}	97,321	30,404	50,000	-	49,028	226,753
Debra Stirling	FY2013	146,789	36,741	-	-	16,470	200,000
	FY2012 ⁽⁴⁾	80,169	16,750	-	-	8,363	105,282
Sub Total	FY2013	1,321,517	180,080	-	-	103,403	1,605,000
	FY2012	900,772	94,837	150,000	-	106,507	1,252,116

Table 19: Non-executive Directors fees for FY2012 and FY2013 (continued)

Non-executive Director	Period	Short-term benefits				Post-employment benefit ⁽¹⁾	Total fees
		Fees	Committee fees	Special payments ⁽²⁾	Non-monetary benefits	Superannuation contributions	
		(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Former Non-executive Directors ⁽⁷⁾							
William Bowness	FY2013	-	-	-	-	-	-
	FY2012	52,340	11,606	50,000	-	5,755	119,701
Anna Buduls	FY2013	-	-	-	-	-	-
	FY2012	52,340	13,199	50,000	-	5,898	121,437
Paul Cooper	FY2013	-	-	-	-	-	-
	FY2012	52,340	5,234	50,000	-	5,182	112,756
Michael Humphris	FY2013	-	-	-	-	-	-
	FY2012	52,340	13,199	50,000	-	5,898	121,437
Sub Total	FY2013	-	-	-	-	-	-
	FY2012	209,360	43,238	200,000	-	22,733	475,331
Total	FY2013	1,321,517	180,080	-	-	103,403	1,605,000
	FY2012	1,110,132	138,075	350,000	-	129,240	1,727,447

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

⁽²⁾ Additional payments for special exertion required of Non-executive Directors, relating specifically to the Aggregation process.

⁽³⁾ Amounts included from commencement date of 14 December 2011.

⁽⁴⁾ Amounts included from commencement date of 15 December 2011.

⁽⁵⁾ Peter Day was Chairman of Centro Retail Group from 1 July to 14 December 2011 at which time he retired as Chairman, but remained a Non-executive Director. Fees earned from 1 July to 14 December 2011 and 15 December 2011 to 30 June 2012 totalled \$171,395 and \$96,000 respectively.

⁽⁶⁾ Fraser MacKenzie was a Non executive Director of Centro Retail Group for the entire 2012 financial year. Fees earned from 1 July to 14 December 2011 and from 15 December 2011 to 30 June 2012 totalled \$71,933 and \$104,820 respectively.

⁽⁷⁾ Fees paid to Non-executive Directors of Centro Retail Group from 1 July 2011 to 14 December 2011 were reimbursed by CNPR Group to Centro Retail Group.

Other Board fees

During FY2013, Messrs Day, Hammon and MacKenzie were also remunerated in their capacity as Non-executive Directors of Centro MCS Manager Limited (CMCS) and Retail Responsible Entity Limited (RREL), which are 100% owned subsidiaries of FDC and act as responsible entity for various FDC managed funds.

As of 1 January 2013, membership of the Board of CMCS changed to be exactly the same as the FDC Board and as a consequence, Messrs Day, Hammon and MacKenzie ceased to be entitled to additional fees for that Board.

Table 20 discloses the fees paid during FY2013 for their work as Non-executive Directors of these entities and the total fees they received, including the fees earned in their capacity as Directors of FDC.

Table 20: Non-executive Director fees

Non-executive Director	Period	Fees earned from Centro MCS Manager Limited (CMCS) and Retail Responsible Entity Limited (RREL)			Total FDC fees	Total Board fees (CMCS, RREL and FDC)
		Board fees	Non-monetary benefits	Superannuation contributions		
		(\$)	(\$)	(\$)	(\$)	(\$)
Peter Day	FY2013	70,156	-	4,844	180,000	255,000
	FY2012	47,953	-	381	367,395	415,729
Tim Hammon	FY2013	70,156	-	4,844	180,000	255,000
	FY2012	37,312	-	381	96,333	134,026
Fraser MacKenzie	FY2013	23,170	-	1,830	200,000	225,000
	FY2012	27,500	-	-	226,753	254,253

Non-audit services

Federation Centres Limited, the Responsible Entity of 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 21 to the financial statements.

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 10 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 48.

Rounding of amounts to the nearest thousand dollars

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

Signed in Melbourne on 18 August 2013 in accordance with a resolution of the Directors.



Bob Edgar

Chairman



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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 2013, 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

B R Meehan
Partner
Melbourne
18 August 2013

Income Statements

for the year ended 30 June 2013

		Federation Limited and its Controlled Entities	
	Notes	30.06.13 \$'000	30.06.12 ⁽¹⁾ \$'000
REVENUE			
Property ownership revenue		500,839	286,731
Services revenue		26,146	16,126
Distribution revenue		8,055	7,420
Interest revenue		11,013	8,022
Total Revenue		546,053	318,299
Share of net profits of associates and joint venture partnerships accounted for using the equity method	9(b)	20,764	25,300
Fair value adjustment on financial assets at fair value through profit or loss	9(c)	(4,250)	(351)
Property revaluation increment for directly owned properties	9(d)	37,925	18,352
Other income		18,695	1,658
Borrowing costs	5	(124,686)	(93,986)
Direct property expenses		(133,331)	(75,203)
Employee benefits expenses	5	(70,040)	(34,907)
Other expenses from ordinary activities		(18,393)	(14,431)
Net movement on mark to market of derivatives		898	(21,764)
Movement in net assets attributable to puttable interests in consolidated finite life trusts		(9,011)	2,592
Discount on acquisition of puttable interests in consolidated finite life trusts		490	3,130
Fair value adjustment on Class Action True-up Securities	16	-	(203,261)
Stamp duty expense on business combinations		(17,135)	(55,806)
Stamp duty written off on acquisition of investment property	9(d)	(10,246)	-
Settlement of class action and class action litigation defence costs		-	(94,158)
Net (loss)/gain from capital transactions and selling costs	6	(14,851)	14,648
Deferred debt costs written off and debt break cost paid as a result of capital transactions		(12,466)	(10,770)
PROFIT/(LOSS) BEFORE INCOME TAX EXPENSE		210,416	(220,658)
Income tax benefit/(expense)	7	2,239	(2,239)
NET PROFIT/(LOSS) AFTER TAX		212,655	(222,897)
Net profit/(loss) attributable to:			
Federation Limited securityholders		(11,499)	(25,554)
Other stapled entities of Federation Centres		224,154	(197,343)
NET PROFIT/(LOSS) ATTRIBUTABLE TO SECURITYHOLDERS OF FEDERATION CENTRES		212,655	(222,897)
Basic (loss) per security in Federation Limited (cents)	18	(0.81)	(1.91)
Diluted (loss) per security in Federation Limited (cents)	18	(0.81)	(1.91)
Basic profit/(loss) per stapled security in Federation Centres (cents)	18	14.97	(16.63)
Diluted profit/(loss) per stapled security in Federation Centres (cents)	18	14.92	(16.63)

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

⁽¹⁾ Results shown for the comparative comprise results and transactions of FL (the parent) for the 12 months to 30 June 2012 and those of FCT 1, FCT 2, FCT 3 and their controlled entities, for the seven months from 1 December 2011 to 30 June 2012.

Statements of Comprehensive Income

for the year ended 30 June 2013

	Federation Limited and its Controlled Entities	
	30.06.13 \$'000	30.06.12 ⁽¹⁾ \$'000
NET PROFIT/(LOSS)	212,655	(222,897)
TOTAL COMPREHENSIVE INCOME/(LOSS)	212,655	(222,897)
Total comprehensive income/(loss) attributable to:		
Federation Limited securityholders	(11,499)	(25,554)
Other stapled entities of Federation Centres	224,154	(197,343)
TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO SECURITYHOLDERS OF FEDERATION CENTRES	212,655	(222,897)

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

⁽¹⁾ Results shown for the comparative comprise results and transactions of FL (the parent) for the 12 months to 30 June 2012 and those of FCT 1, FCT 2, FCT 3 and their controlled entities, for the seven months from 1 December 2011 to 30 June 2012.

Balance Sheets

as at 30 June 2013

		Federation Limited and its Controlled Entities	
	Notes	30.06.13 \$'000	30.06.12 \$'000
CURRENT ASSETS			
Cash assets and cash equivalents		93,317	200,478
Receivables and other assets	8	89,413	127,397
Derivative financial instruments	13	-	551
Non-current assets classified as held for sale	9(a)	417,354	-
Financial assets carried at fair value through profit or loss	9(c)	79,071	78,292
Total current assets		679,155	406,718
NON-CURRENT ASSETS			
Receivables and other assets	8	117,387	3,587
Derivative financial instruments	13	3,931	-
Investments accounted for using the equity method	9(b)	119,874	590,834
Financial assets carried at fair value through profit or loss	9(c)	44,033	192,254
Investment property	9(d)	4,081,715	3,701,041
Intangible assets	10	199,735	199,735
Plant and equipment		10,445	3,319
Total non-current assets		4,577,120	4,690,770
TOTAL ASSETS		5,256,275	5,097,488
CURRENT LIABILITIES			
Trade and other payables	11	203,360	165,926
Provisions	12	82,938	83,001
Interest bearing liabilities	14	372,940	140,111
Derivative financial instruments	13	546	3,565
Total current liabilities		659,784	392,603
NON-CURRENT LIABILITIES			
Provisions	12	4,866	4,541
Interest bearing liabilities	14	1,108,410	1,238,662
Derivative financial instruments	13	5,045	5,266
Puttable interests in consolidated finite life trusts		112,292	106,561
Other liabilities		2,850	-
Deferred tax liability	7	-	2,239
Total non-current liabilities		1,233,463	1,357,269
TOTAL LIABILITIES		1,893,247	1,749,872
NET ASSETS		3,363,028	3,347,616

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

Balance Sheets

as at 30 June 2013 (continued)

	Notes	Federation Limited and its Controlled Entities	
		30.06.13 \$'000	30.06.12 \$'000
EQUITY			
Equity attributable to securityholders of Federation Limited			
Contributed equity		-	-
Share based payment reserve		4,460	898
Accumulated losses		(37,053)	(25,554)
Total equity attributable to securityholders of Federation Limited		(32,593)	(24,656)
Equity attributable to other stapled entities of Federation Centres			
Contributed equity	15	3,657,240	3,453,502
Class Action True-up Securities (CATS)	16	-	203,261
Accumulated losses		(261,619)	(284,491)
Total equity attributable to other securityholders of Federation Centres		3,395,621	3,372,272
Equity attributable to securityholders of Federation Centres:			
Federation Limited securityholders		(32,593)	(24,656)
Other stapled entities of Federation Centres		3,395,621	3,372,272
TOTAL EQUITY ATTRIBUTABLE TO SECURITYHOLDERS OF FEDERATION CENTRES		3,363,028	3,347,616

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

Statements of Changes in Equity

for the year ended 30 June 2013

Federation Limited and its Controlled Entities					
	Contributed equity	Class Action True-up Securities ⁽¹⁾	Accumulated losses	Share base payment reserve	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2011	-	-	-	-	-
Arising on Aggregation	3,453,502	-	-	-	3,453,502
Net loss for the year	-	-	(222,897)	-	(222,897)
Total comprehensive loss ⁽³⁾	-	-	(222,897)	-	(222,897)
Recognition of CATS as equity ⁽¹⁾	-	203,261	-	-	203,261
Share based payment transactions	-	-	-	898	898
Distributions payable	-	-	(87,148)	-	(87,148)
Balance at 30 June 2012	3,453,502	203,261	(310,045)	898	3,347,616

Federation Limited and its Controlled Entities					
	Contributed equity	Class Action True-up Securities ⁽¹⁾	Accumulated losses	Share base payment reserve	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2012	3,453,502	203,261	(310,045)	898	3,347,616
Net profit for the year	-	-	212,655	-	212,655
Total comprehensive income ⁽³⁾	-	-	212,655	-	212,655
Issue of securities, net of transaction costs	203,163	(203,261)	-	-	(98)
Share based payments	575	-	-	3,562	4,137
Distribution paid and payable ⁽²⁾	-	-	(201,282)	-	(201,282)
Balance at 30 June 2013	3,657,240	-	(298,672)	4,460	3,363,028

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

⁽¹⁾ At 30 June 2012, the CATS were presented under equity rather than under liabilities on the basis that they represented an obligation by FDC to issue a fixed number of its own securities. On 31 July 2012, 86,668,507 FDC securities were issued to CATS holders. No further obligations to CATS holders remain. Security issuance costs of \$98,000 were incurred to issue the new securities.

⁽²⁾ Distributions paid and payable for the year of \$201.3 million represents 14.1 cents per stapled security (2012: 6.5 cents)

⁽³⁾ For accounting purposes FL is the identified parent of FDC. As a result, under AASB 127, FCT 1, FCT 2 and FCT 3 are considered as non-controlling interests. The analysis of total comprehensive loss between FL and other stapled entities is as follows:

Federation Limited and its Controlled Entities		
	30.06.13 \$'000	30.06.12 \$'000
Total comprehensive loss attributable to Federation Limited	(11,499)	(25,554)
Total comprehensive income/(loss) attributable to other stapled entities of Federation Centres	224,154	(197,343)
Total comprehensive income/(loss)	212,655	(222,897)

Cash Flow Statements

for the year ended 30 June 2013

	Notes	Federation Limited and its Controlled Entities	
		30.06.13 \$'000	30.06.12 ⁽¹⁾ \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		536,020	316,454
Payments to suppliers and employees		(211,487)	(127,775)
Distributions received from associates and managed investments		37,714	27,131
Interest and other income received		10,260	7,398
Interest paid/derivative settlements		(144,923)	(102,177)
Deferred debt costs paid		(10,077)	(6,409)
Settlement of class action and class action litigation defence costs		-	(94,158)
Net cash inflow from operating activities	17	217,507	20,464
CASH FLOWS FROM INVESTING ACTIVITIES			
Arising on Aggregation		-	88,086
Acquisition of syndicates, net of cash acquired	23(c)	(89,028)	(24,050)
Returns of capital received from other investments		35,944	22,403
Payments for plant and equipment and other investments		(8,801)	(574)
Proceeds from disposal of investment properties		463,800	789,175
Acquisition of investment properties		(188,223)	(48,500)
Payments for capital expenditure on investment properties		(78,832)	(35,792)
Transaction costs paid on capital transactions		(7,356)	(4,970)
Stamp duty paid on Aggregation		-	(51,791)
Other stamp duty paid		(27,480)	(12,504)
Net cash inflow from investing activities		100,024	721,483
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		741,687	1,636,474
Repayments of borrowings		(893,495)	(2,175,489)
Break cost paid on repayment of borrowings		(8,713)	-
Receipt of related party loan repayments		39,661	20,866
Loans extended to related parties		(114,636)	-
Acquisition of puttable interests in consolidated finite life trusts		(685)	(19,354)
Distributions paid to external securityholders		(188,511)	(4,003)
Net cash outflow from financing activities		(424,692)	(541,506)
Net (decrease)/ increase in cash and cash equivalents		(107,161)	200,441
Cash and cash equivalents at the beginning of the year		200,478	37
Cash and cash equivalents at the end of the year		93,317	200,478

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

⁽¹⁾ Results shown for the comparative comprise results and transactions of FL (the parent) for the 12 months to 30 June 2012 and those of FCT 1, FCT 2, FCT 3 and their controlled entities, for the seven months from 1 December 2011 to 30 June 2012.

Notes to and forming part of the consolidated financial statements

for the year ended 30 June 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes financial statements of Federation Limited (the Group or FDC) consisting of Federation Limited, Federation Centres Trust No. 1, Federation Centres Trust No. 2 and Federation Centres Trust No. 3 and their controlled entities.

(a) Corporate Information and change in name

At the Extraordinary General Meeting held on 22 January 2013, securityholders approved changing the company name from Centro Retail Limited to Federation Limited, effective 22 January 2013. Federation Limited is the parent of the stapled group Federation Centres (formerly Centro Retail Australia) and its ASX code has changed from CRF to FDC. In addition, the names of the other stapled entities: Centro Retail Trust, Centro Australia Wholesale Fund and Centro DPF Holding Trust and their Responsible Entity Centro Retail Australia Limited were changed to Federation Centres Trust No. 1, Federation Centres Trust No. 2, Federation Centres Trust No. 3 and Federation Centres Limited respectively, effective 22 January 2013.

On 30 January 2013, the names of all non wholly owned syndicates managed by Federation Limited, except Centro MCS 22, changed from Centro MCS to Retail Direct Property, with appropriate identifying numbers. Centro MCS 22 changed its name to Retail Direct Property 22 on 14 February 2013.

This general purpose financial report of Federation Centres, comprising Federation Limited and its controlled entities, for the year ended 30 June 2013 was approved in accordance with a resolution of the Board of Directors of the Parent Company on 18 August 2013.

(b) 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).

(c) Basis of preparation of financial statements

This general purpose financial report for the year ended 30 June 2013 has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncement of the Australian Accounting Standards Board 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.

The accounting policies adopted are consistent with those of the previous financial year except as detailed in Note 1 (ad). When the presentation or classification of items in the financial report is amended, comparative amounts are also reclassified unless it is impractical.

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

FDC was formed by the stapling of Federation Limited (the Company or FL), Federation Centres Trust No. 1 (FCT 1), Federation Centres Trust No. 2 (FCT 2), Federation Centres Trust No. 3 (FCT 3) (collectively known as the Trusts) through schemes of arrangement that were approved by the Supreme Court of New South Wales on 1 December 2011 (the Aggregation).

The financial statements of FDC reflect the consolidation of FL, FCT 1, FCT 2, FCT 3, and their controlled entities. For the purposes of preparing the consolidated financial statements, FL was identified as the parent entity of FDC as required by AASB 3R *Business Combinations* and AASB 127 *Consolidated and Separate Financial Statements*.

The date of Aggregation for accounting purposes of FDC was 1 December 2011, being the date that the schemes were approved by the Supreme Court of New South Wales and when all the risks and rewards transferred to FDC securityholders. Accordingly the comparative information in this financial report for the Income Statement, Statement of Comprehensive Income and Cash Flow Statement comprises results and transactions of FL (the Parent Company) for the 12 months to 30 June 2012, and those of the Trusts and their controlled entities, pursuant to the scheme of arrangement, for the seven months from 1 December 2011 to 30 June 2012.

The Articles of Association of the Company and the Constitutions of the Trusts ensure that shares in the Company and units in the Trusts are "stapled" together and are traded collectively on the Australian Securities Exchange together, under the symbol FDC.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Basis of preparation of financial statements (continued)

(i) Going concern

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

(ii) Historical cost convention

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

(iii) Significant accounting judgement and estimates

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain significant accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.

(iv) Presentation of securityholders interests in FCT 1, FCT 2 and FCT 3

Under AASB 127, given that FL is the parent of FDC, securityholders' interests in FCT 1, FCT 2 and FCT 3 are presented as non-controlling interests and described as other stapled entities of Federation Centres, rather than as attributable to owners of the parent, representing the fact that FCT 1, FCT 2 and FCT 3 are not owned by FL, but by securityholders directly.

(d) Principles of consolidation

Controlled entities are those entities over which the Group has the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. Where control of an entity is obtained during a financial year, its results are included in the Income Statement from the date on which control commences. Where control of an entity ceases during a financial year its results are included for that part of the year during which control existed and de-consolidated from the date that control ceased.

The effect of all transactions between entities in the Group is eliminated in full. Non-controlling interests in the results and equity of controlled entities are shown separately in the Income Statements and Balance Sheets respectively. Investments in subsidiaries are accounted for at cost by Federation Limited. If the Group loses control of a subsidiary it:

- Derecognises the assets (including any goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences, recorded in equity;
- Recognises the fair value of consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss, or retained earnings, as appropriate.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Investments in associates, joint ventures and jointly controlled assets

Investments in associates and joint ventures

Associates are those entities over which the Group exercises significant influence, but not control. Joint ventures are those entities with which the Group has a contractual arrangement that establishes joint control over the economic activities of the entity.

Investments in associates are accounted for in the Group's financial statements using the equity method. Under the equity method, the Group's share of the post-acquisition profits or losses of associates is recognised in the consolidated Income Statement, and its share of post-acquisition movements in reserves are recognised directly in the consolidated statement of changes in equity. The cumulative post-acquisition movements are adjusted against the cost of the investment.

Investments in joint ventures are accounted for using the equity method in the consolidated financial statements.

Investments in jointly controlled assets

The Group recognises its share of the asset, classified as investment property. In addition, the Group recognises its share of liabilities, expenses and income from the use and output of the jointly controlled asset.

(f) Business combinations

Business combinations are accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from any goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree.

The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed, for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operation or accounting policies and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts held by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred to the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 *Financial Instruments: Recognition and Measurement* either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

(g) Combination of businesses under common control

The Group accounts for combination of businesses under common control using the "pooling-of-interests" method. Under the pooling-of-interests method, the assets and liabilities contributed by entities under common control are transferred to the receiving entity at their carrying value at the date of transfer (although adjustments are recorded to achieve uniform accounting policies where necessary).

Specifically, intangible assets and contingent liabilities are recognised only to the extent that they were recognised by the acquiree in accordance with applicable accounting standards. No goodwill is recognised from the combination of businesses under common control. Any differences between the acquirer's cost of investment and the acquiree's equity is recognised directly in equity and presented separately within equity as a common control reserve. Non-controlling interests are measured as a proportionate share of the book values of the related assets and liabilities. Expenses of the combination are written off immediately in the income statement. Comparative amounts are not re-stated, rather comparative information is presented only from the date of the combination of businesses under common control.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that the future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the revenue have been resolved. 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. Contingent rental revenue is recognised on an accruals basis as earned.

(ii) Services revenue

Property, leasing and development management

Property management and leasing fees are generated from existing properties and development fees are derived in respect of new developments and redevelopments. 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) Funds management

The Group derives fees from the establishment and ongoing management of managed investment vehicles. Funds management revenue is recognised on an accruals basis as earned.

(iv) Distribution revenue

Distributions are recognised as revenue when the right to receive payment is established.

(v) Interest revenue

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

(i) Income tax

The 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 attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Income tax (continued)

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.

(j) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(k) Trade and other receivables

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. Collectability of trade and other debtors is reviewed on an ongoing basis. Debts that are individually known to be uncollectable are written off when identified. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

(l) Trade and other payables

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.

(m) Provisions and employee benefits

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation 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. The increase in the provision arising from the passage of time is recognised in finance costs.

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits expected to be settled within 12 months of the reporting date are recognised in other creditors in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for annual leave are recognised as a provision for employee benefits and are measured based on the amounts expected to be paid when the liabilities are settled. Amounts due to be settled within 12 months of the reporting date are classified as current liabilities. Non accumulating sick leave is expensed as the leave is taken and measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in the provision for employee benefits (current) and is measured in accordance with (i) above. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the provision for employee benefits (non-current) and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Expected future payments are discounted using market yields of national government bonds at the reporting date with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Termination benefits

Liabilities for termination benefits, not in connection with the acquisition of an entity or operation, are recognised when a detailed plan for the terminations has been developed and a valid expectation has been raised in those employees affected that the terminations will be carried out. The liabilities for termination benefits are recognised in other payables unless the amount or timing of the payments is uncertain, in which case they are recognised as provisions.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(m) Provisions and employee benefits (continued)****(iii) Termination benefits (continued)**

Liabilities for termination benefits expected to be settled within 12 months are measured at the amounts expected to be paid when they are settled. Amounts expected to be settled more than 12 months from the reporting date are measured as the estimated cash outflows, discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future payments, where the effect of discounting is material.

(n) Distributions

A provision is made for the amount of any distribution declared, determined or publicly recommended by the Directors on or before the end of the reporting period but not distributed at balance date.

(o) Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated on a straight line basis to write off the net cost or revalued amount of each item of plant and equipment (excluding investment properties) over its expected useful life to the Group.

Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items. The expected useful life of plant and equipment is between three and five years.

(p) 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 as assets, investment properties are revalued to fair value. Directors assess fair value of property investments at each reporting date and obtain independent valuations on a regular basis to assist in assessing fair value.

Changes in fair values are recorded in the Income Statement in the period in which they arise.

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal.

(q) Intangible assets

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired controlled entity/associate at the date of acquisition. Goodwill on acquisitions of controlled entities is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates.

Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Goodwill is considered to have an indefinite life.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Other financial assets and financial liabilities

(i) Classification

Subsequent to initial recognition, the Group classifies financial assets and financial liabilities into the following categories. The classification depends on the purpose for which the financial instruments were acquired.

Financial assets or financial liabilities at fair value through profit or loss

These include financial assets and financial liabilities that are held for trading purposes and those designated as financial assets or liabilities at fair value through profit or loss on initial recognition.

Financial assets that are held for trading include investments in listed and unlisted equity instruments.

Financial assets and financial liabilities designated at fair value through profit or loss at initial recognition are those that are managed and their performance evaluated on a fair value basis in accordance with the Group's documented investment strategy. The Group's policy is for the Responsible Entity to evaluate the information about these financial assets on a fair value basis together with other related financial information.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except those with maturities greater than 12 months after the balance date which are classified as non-current assets and will be discounted to present value. Loans and receivables are included in receivables in the Balance Sheet.

(ii) Recognition and de-recognition

Purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets and financial liabilities are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are de-recognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. Financial liabilities are de-recognised when the obligation specified in the contract is discharged or cancelled or expires.

(iii) Subsequent measurement

Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the Income Statement in the period in which they arise.

If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances. The fair value of units or interests in unlisted property managed investment schemes is determined by reference to the fair value of the scheme's net assets, as advised by the relevant Responsible Entity at each reporting period.

(iv) Impairment

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the Income Statement. Impairment losses recognised in the Income Statement on equity instruments are not reversed through the Income Statement.

(v) Reassessment of presentation of financial instruments

The Group reassesses the presentation of its financial instruments as liability or equity, subsequent to initial recognition, whenever there is a change in circumstances that could result in a different presentation from liability to equity (or vice versa).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Assets and disposal groups held for sale and discontinued operations

Non-current assets and disposal are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Assets held for sale that are investment properties are stated at fair value. All other assets held for sale are stated at the lower of carrying value and fair value less costs to sell. Non-current assets classified as held for sale are presented separately from the other assets in the Balance Sheet.

A discontinued operation is a part of the Group's business that:

- it has disposed of or classified as held for sale and that represents a major line of its business or geographical area of operations; or
- is part of a single co-ordinated plan to dispose of such a line of business or area of operations.

The results of discontinued operations are presented separately on the face of the Income Statement and the assets and liabilities are presented separately on the Balance Sheet. The comparative Income Statement is re-presented as if the disposal group had been discontinued from the start of the comparative year.

(t) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value. A change in the fair value of any derivative instrument that does not qualify for hedge accounting is immediately recognised in the Income Statement. No derivatives within the financial instruments are currently designated into a hedging relationship and therefore all movements in fair value have been taken to the Income Statement.

(u) Fair value estimation

The fair value of financial instruments is based on their quoted market prices at the balance date without any deduction for estimated future selling costs. Financial assets are valued at bid prices, while financial liabilities are valued at asking prices.

If a quoted market price is not available on a recognised stock exchange or from a broker/dealer for non-exchange-traded financial instruments, the fair value of the instrument is estimated using valuation techniques, including use of recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow techniques, or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on the manager's best estimates and the discount rate used is a market rate at the balance date applicable for an instrument with similar terms and conditions. Where other pricing models are used, inputs are based on market data at the balance date.

The fair value of derivatives that are not exchange traded is estimated at the amount that the entity would receive or pay to terminate the contract at the balance date taking into account current market conditions (e.g. appropriate yield curve) and the current credit worthiness of the counterparties. Specifically, the fair value of a forward exchange contract is determined as a net present value of estimated future cash flows, discounted at appropriate market rates on the valuation date. The fair value of interest rate swaps and cross currency interest rate swaps is the estimated amount that the entity would receive or pay to terminate the swap at balance date taking into account current interest rates, foreign exchange rates and the current credit worthiness of swap counterparties.

Investments in other unlisted funds are recorded at the exit price as reported by the managers of the funds.

(v) Interest bearing liabilities

Interest bearing liabilities are initially recognised at fair value, net of transaction costs incurred. Interest bearing liabilities are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Income Statement over the period of the borrowings using the effective interest method.

Interest bearing liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months subsequent to the reporting date.

(w) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. All other borrowing costs are expensed to the Income Statement using the effective interest rate method. Borrowing costs consist of interest and other costs that an entity incurs in connection with borrowing funds. Other costs, for example, establishment fees incurred, are deferred on the Balance Sheet as deferred debt costs under interest bearing liabilities and amortised as part of borrowing costs using the effective interest rate method.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Share-based payments

Certain executives were awarded with Group securities under the share-based Long Term Incentive (LTI) plan. The fair value of the securities granted is determined at the grant date and recognised as an expense in the Income Statement with a corresponding increase in the share based payment reserve component of equity, over the vesting period.

The fair value at grant date 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.

(y) Contributed equity

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, preference units or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

(z) Earnings per security

(i) Basic earnings per security

Basic earnings per security is determined by dividing the net profit after income tax attributable to securityholders of the Group, excluding any costs of servicing equity other than ordinary securities or preference units, by the weighted average number of stapled securities and their equivalents outstanding during the reporting period, adjusted for bonus elements in securities issued during the year.

(ii) Diluted earnings per security

Diluted earnings per security adjusts the figures used in the determination of basic earnings per security by taking into account the after income tax effect of 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.

(aa) Financial guarantee contracts

Financial guarantee contracts are recognised at fair value as a financial liability at the time the guarantee is issued.

The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation, where appropriate.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of subsidiaries or associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ab) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Group's Chief Operating Decision Maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

(ac) Puttable interests in consolidated finite life trusts

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

Puttable interests in consolidated finite life trusts represent the non-controlling interest in managed investment schemes consolidated by the Group. It should be noted that the entitlement of these holders is solely to the residual equity of the individual trusts concerned, *pari passu* with the interest held by the Group.

(ad) Adoption of new accounting policies

The Group has adopted the following amendments to Australian Accounting Standards as of 1 July 2012:

(i) AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112]

These amendments address the determination of deferred tax on investment property measured at fair value and introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that the carrying amount will be recoverable through sale. The amendments also incorporate SIC-21 Income Taxes – Recovery of Revalued Non-Depreciable Assets into AASB 112. The amendment was effective for reporting period commencing 1 January 2012, and was adopted by the Group on 1 July 2012. The adoption of this amendment had no impact on the net asset or net profit of the Group.

(ii) AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income

This Standard requires entities to group items presented in other comprehensive income on the basis of whether they might be reclassified subsequently to profit or loss and those that will not. The amendment is effective for the reporting period commencing 1 July 2012, and was adopted by the Group on 1 July 2012. The adoption of this amendment had no impact on the net asset or net profit of the Group.

(ae) Australian Accounting Standards and Interpretations issued but not yet effective

Certain new Australian Accounting Standards and Interpretations have been published that are not mandatory for 30 June 2013 reporting period. The Group's assessment of the impact of these new Australian Accounting Standards and Interpretations that are relevant to the Group are set out below:

(i) AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements

AASB 2011-4 is applicable for annual reporting periods beginning on or after 1 July 2013 and is not available for early adoption. The amendment deletes from AASB 124 *Related Party Disclosures*, individual Key Management Personnel disclosure requirements for disclosing entities that are not companies, thereby remove the duplication that arose from applying the standard.

The adoption of this standard will not change the disclosures of the Group.

(ii) AASB 2012-2 Amendments to Australian Accounting Standards – Disclosure - Offsetting Financial Assets and Financial Liabilities [AASB 7 and AASB 132]

AASB 2012-2 is applicable for annual reporting period beginning on or after 1 January 2013. This Standard amends the required disclosures in AASB 7 to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.

The adoption of this standard will not impact the reported net asset or net profit of the Group. There are no impacts on disclosures as there are no offsetting arrangements currently in place.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ae) Australian Accounting Standards and Interpretations issued but not yet effective (continued)

(iii) AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities [AASB 132]

AASB 2012-3 is applicable for annual reporting periods beginning on or after 1 January 2014. This Standard adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of “currently has a legally enforceable right of set-off” and that some gross settlement systems may be considered equivalent to net settlement.

The adoption of this standard will not change the net assets or net profit of the Group.

(iv) AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle

AASB 2012-5 is applicable to annual reporting periods beginning on or after 1 January 2013 and is available for early adoption. AASB 2012-5 makes amendments resulting from the 2009-2011 Annual Improvements Cycle. The standard addresses a range of improvements, the main being:

- Repeat application of AASB 1 is permitted and
- Clarification of the comparative information requirements when an entity provides a third balance sheet (AASB 101 *Presentation of Financial Statements*).

Based on preliminary analysis, the adoption of AASB 2012-5 will not have any impact on the net assets or net profit of the Group.

(v) AASB 9 Financial Instruments and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transitional Disclosures

AASB 9 and AASB 2010-7 are applicable for annual reporting periods beginning on or after 1 January 2015 and are available for early adoption. AASB 9 addresses the current classification and measurement models of financial assets in AASB 139 *Financial Instruments: Recognition and Measurement* with a new model. Under this new model, financial assets that are debt instruments with certain characteristics are measured at amortised cost. All other financial assets are measured at fair value. For equity instruments, an option is available to recognise all fair value changes in other comprehensive income.

AASB 2010-7 amends measurement rules for financial liabilities that the Group elects to measure at fair value through profit or loss. Changes in fair value attributable to changes in the Group's own credit risk are presented in other comprehensive income and there is no recycling of these adjustments to profit or loss on extinguishment.

These changes may impact the classification and measurement of financial assets held by the Parent and the Group. The amendments are not expected to have a material impact on the financial statements.

(vi) AASB 10 Consolidated Financial Statements

AASB 10 is applicable for annual reporting periods beginning on or after 1 January 2013, and is available for early adoption under certain circumstances. AASB 10 replaces both AASB 127 *Consolidated Financial Statements* and AASB Interpretation 112 *Special Purpose Entities*. The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control.

In assessing the impact of AASB 10 on the Group, management has undertaken an analysis to determine:

- 1) The amount of power the Group has over a Retail Direct Property Syndicate (Syndicate) and its ability to affect its returns through its power by analysing:
 - The Group's equity interests, and the dispersion of interests held by external investors (the higher the Group's equity interests are, and the higher the dispersion of external investors' interest, the more power the Group is deemed to have);
 - The Group's powers as Responsible Entity (RE) and property manager of the syndicates;
 - The rights of other investors to remove the RE;
 - The Group's ability to vote its interests on key matters and how much the Group has been able to influence the voting in the past; and
 - Who appoints the directors of the RE.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ae) Australian Accounting Standards and Interpretations issued but not yet effective (continued)

(vi) AASB 10 Consolidated Financial Statements (continued)

- 2) The amount of variable returns that the Group earns from the Syndicates. This includes analysing the total fees and distributions earned from the Syndicate compared to other investors.

The adoption of AASB 10 will result in the Group consolidating additional syndicates. This will have no material impact on the net assets or net profit of the Group, however will require the gross up of total assets and total liabilities on the Balance Sheet of up to approximately \$284 million and \$126 million respectively, and a gross up of total income (including property revaluations) and total expenses of up to approximately \$24 million and \$32 million respectively based on balances as at and for the year ended 30 June 2013.

(vii) AASB 11 Joint Arrangements

AASB 11 replaces the recognition and measurement requirements of AASB 131 *Joint Ventures*. The standard is applicable for annual reporting periods beginning on or after 1 January 2013, and is available for early adoption under certain circumstances. AASB 11 clarifies the distinction between joint operations and joint ventures, and eliminates the option to use proportionate consolidation in accounting from joint ventures. Joint operations that give the joint venture parties a right to the underlying assets and obligations is accounted for by recognising the share of those assets and obligations.

The adoption of AASB 11 will not have a material impact on the net assets or net profit of the Group.

(viii) AASB 12 Disclosure of Interests in Other Entities

AASB 12 is applicable for annual reporting periods beginning on or after 1 January 2013, and is available for early adoption under certain circumstances. AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.

The adoption of AASB 12 will not result in any changes to the reported financial position and performance of the Group, however there will be additional disclosures about the investments held and in particular relating to the significant judgments and assumptions made during the control assessments for the group composition.

(ix) AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13

This standard is applicable for annual reporting periods beginning on or after 1 January 2013 and is available for early adoption. The amendment does not change when an entity is required to use fair value, but rather establishes a single source of guidance on how fair value is determined when fair value is required or permitted. AASB 13 also expands the disclosure requirements for all assets or liabilities recognised at fair value, including where disclosures of assets at fair value are required. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.

Other than additional disclosures about the assets and liabilities which are held at fair value the adoption of AASB 13 will not have any material impact on net assets or net results of the Group as the existing fair value methods used by the Group are materially consistent with the guidance under AASB 13.

(x) AASB 119 Employee Benefits

AASB 119 is applicable for annual reporting periods beginning on or after 1 January 2013 and is available for early adoption. The amendment removes the options for accounting for the liability, and requires that the liabilities arising from any plans is recognised in full with actuarial gains and losses being recognised in other comprehensive income. It also revises the method of calculating the return on plan assets and changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date. Consequential amendments were also made to other standards via AASB 2011-10.

The adoption of AASB 119 will not have any material impact on the net assets or net profit of the Group.

(af) Rounding of amounts

The Company is an entity of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars (\$'000), or in certain cases, the nearest dollar.

2. SIGNIFICANT ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

The preparation of financial statements requires estimates and assumptions concerning the application of accounting policies to be made by the Group. Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

(a) Investment property values (refer Note 9(d))

Investment properties are carried at their fair value. Valuations are based on either an independent valuation or a Directors' 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 and availability of similar properties, vacancy rates, market rents and capitalisation and discount rates. Refer to Note 9(d) for further information regarding investment property valuations.

(b) Fair value of financial instruments

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

(c) Intangible assets (refer Note 10)

The Group tests annually whether goodwill has suffered any impairment in accordance with its accounting policy. The recoverable amounts of the cash-generating units have been determined based on fair value less costs to sell calculations. These calculations require the use of assumptions. Refer to Note 10 for details of these assumptions and the potential impact of changes to the assumptions.

(d) Aggregation to form Federation Centres

On 1 December 2011, the Supreme Court of New South Wales approved the schemes of arrangement necessary to effect the formation of FDC and lodged with the Australian Securities and Investments Commission (ASIC) on 2 December 2011. Trading of FDC securities commenced on 5 December 2011 on a deferred settlement basis. The legal Aggregation Implementation date was 14 December 2011.

(i) Parent company of FDC

In preparing the consolidated accounts of FDC, AASB 3R and AASB 127 require a parent to be identified for FDC. Federation Limited has been identified as the parent of FDC on the basis that the Directors and management of FDC are employed by FL and its subsidiaries, and accordingly the financial and operating policies of FDC are governed by FL.

(ii) Date of Aggregation

For accounting purposes, the date of Aggregation was determined to be 1 December 2011. This was the date that all substantive conditions precedent under the Implementation Agreement to effect the formation of FDC through Aggregation were satisfied and when all the risks and rewards passed to FDC securityholders. The comparative results of the accounts of FDC therefore reflect the results of the accounting parent, FL, for 12 months to 30 June 2012 combined with the results of FCT 1, FCT 2, FCT 3 and their controlled entities for seven month period from 1 December 2011 to 30 June 2012.

(iii) Accounting for the formation of FDC as a common control transaction

The formation of FDC is a combination of businesses under common control because FL and FCT 1 (previously stapled as Centro Retail Trust or CER), FCT 2 and FCT 3 were all controlled by the same party since 2008, and the control was not considered transitory. The pooling of interest method has been applied in accounting for the formation of FDC.

3. PARENT ENTITY INFORMATION

(a) Parent entity

In preparing the consolidated accounts of FDC, AASB 3R and AASB 127 requires a parent to be identified for FDC. FL has been identified as the parent of FDC on the basis that the directors and management of FDC are employed by FL and its subsidiaries, and the financial and operating policies of FDC are governed by FL.

(b) Financial information

The financial information presented below represents that of FL only and is not comparable to the consolidated results of FL, as presented in the Income Statements or Balance Sheets.

	Federation Limited	
	30.06.13 \$'000	30.06.12 \$'000
Income Statement information		
Net loss attributable to securityholders of the parent entity	(12,467)	(23,268)
Comprehensive income information		
Total comprehensive loss attributable to securityholders of the parent entity	(12,467)	(23,268)
Balance Sheet information		
Current assets	103,310	112,263
Total assets	389,755	398,707
Current liabilities	50,614	50,660
Total liabilities	421,030	421,077
Equity attributable to securityholders of the parent entity:		
Contributed equity	-	-
Share based payment reserve	4,460	898
Accumulated losses	(35,735)	(23,268)
	(31,275)	(22,370)

(c) Related party transactions

The Parent had the following transactions and balances with related parties during the year:

- Federation Limited had related party loan receivables from syndicates for \$71.4 million, no impairment was recognised. (2012: \$107.8 million of which \$15.2 million was impaired).
- Federation Limited borrows from FCT 1, FCT 2 and FCT 3 on an unsecured basis. The balance outstanding at 30 June 2013 is \$370.4 million (2012: \$370.4 million). The interest payable on the borrowings for the year ended 30 June 2013 is \$28.2 million (2012: \$21.1 million).
- Federation Limited has amounts payable to its subsidiaries of \$31.6 million. (2012: \$29.7 million).

As some of the above transactions and balances are with other entities that are consolidated in the Group, the effects of such related party transactions have been eliminated in the consolidated accounts of the Group.

(d) Guarantees

Federation Limited is a guarantor under the syndicated debt facility held by CRL Finance Holdings Pty Ltd.

Bank guarantees of \$5 million each have been arranged by Federation Limited in order for two of the Group's Responsible Entities to meet their financial obligations under their Australian Financial Services Licences.

Bank guarantees totalling \$4.4 million have been arranged by the Group to guarantee obligations relating to the corporate office leased at 35 Collins Street, Melbourne Victoria and state office of NSW.

(e) Contingent liabilities

With the exception of matters disclosed in Note 24, Federation Limited does not have any contingent liabilities as at 30 June 2013. (2012: \$nil)

(f) Contractual capital commitments

Federation Limited does not have any contractual capital commitments as at 30 June 2013 (2012: \$nil).

4. SEGMENT INFORMATION

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

Operating segments

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

(i) Investment activities

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

(ii) Services business activities

The Group's services business generates revenue in the form of fees from two main areas: 1) property management, leasing and development; and 2) funds management. The Group provides personnel, systems and facilities to deliver these services to the shopping centres and managed funds.

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

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

Accounting policies

The accounting policies used by the Group in reporting segment information are the same as those detailed in Note 1 to this report for the year ended 30 June 2013 except as detailed below.

Segment income

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

4. SEGMENT INFORMATION (continued)

	Federation Limited and its Controlled Entities	
	30.06.13 \$'000	30.06.12 \$'000
Segment income statement		
Direct property investment income	309,491	191,567
Syndicate investment income	22,012	16,076
Investment income	331,503	207,643
Property management, development and leasing fees	12,703	7,407
Syndicate management fees	27,310	11,252
Services income	40,013	18,659
Total segment income	371,516	226,302
Overheads, net of recoveries	(44,774)	(23,697)
Depreciation and amortisation	(1,348)	(704)
Borrowing costs	(101,044)	(78,717)
Underlying earnings	224,350	123,184
Non-distributable items:		
Investment property revaluations ⁽¹⁾	25,235	23,571
Fair value adjustment on financial assets carried at fair value through profit or loss	(4,250)	(351)
Fair value adjustment on Class Action True-up Securities	-	(203,261)
Net mark to market movements on derivatives	1,101	(21,965)
Recovery of related party balances previously impaired	16,561	-
Net profits in consolidated syndicates, net of declared distributions	2,385	3,684
Deferred tax benefit/(expense)	2,239	(2,239)
Discount on acquisition of puttable interests and syndicate investments	490	2,813
Stamp duty expenses	(27,381)	(55,806)
Net (loss)/gain from capital transactions and selling costs	(14,851)	14,648
Deferred debt cost written off and debt break costs as a result of capital transaction	(12,466)	(10,770)
Settlement of class action and class action litigation defence costs	-	(94,158)
Other non-distributable items	(758)	(2,247)
Net profit/(loss)	212,655	(222,897)

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

4. SEGMENT INFORMATION (continued)

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

During the period, the Property Council of Australia published guidelines on a voluntary framework on determining FFO and AFFO. FFO is the organisation's underlying and recurring earnings from its operations. This is determined by adjusting statutory net profit (under AIFRS) for certain non-cash and other items.

AFFO is determined by adjusting FFO for other cash and other items which have not been adjusted in determining FFO.

The CEO of FDC currently reviews segment income and underlying earnings as a performance measure for the group. From June 2013, in addition to segment underlying earnings, the CEO also reviews FFO and AFFO in assessing the performance for the Group. The following reconciliation reflects the adjustments required from underlying earnings disclosed to FFO and AFFO.

	Federation Limited and its Controlled Entities	
	30.06.13 \$'000	30.06.12 \$'000
Underlying earnings	224,350	123,184
Adjusted for:		
Amortisation of rent free periods	2,360	1,775
Funds From Operations	226,710	124,959
Adjusted for:		
Derivative and debt break costs arising from early repayment of borrowings pursuant to capital transactions	(14,262)	(16,906)
Maintenance capital expenditure and tenant incentives given for the period	(32,099)	(23,374)
Proceeds received from receivables previously impaired	16,561	-
Adjusted Funds From Operations	196,910	84,679

4. SEGMENT INFORMATION (continued)

Reconciliation of total segment income to the Income Statement

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

	Federation Limited and its Controlled Entities	
	30.06.13 \$'000	30.06.12 \$'000
Total segment income	371,516	226,302
Less:		
Net property income from equity accounted investments not shown in revenue per the Income Statement	(38,022)	(32,559)
Distribution income from consolidated managed fund investments included in managed fund investment income	(13,226)	(8,656)
Intra-group services income from consolidated managed funds eliminated on consolidation	(15,443)	(2,533)
Add:		
Revenue from consolidated direct property investments that are equity accounted in segment income	17,368	9,136
Net expenses directly attributable to direct property investments deducted in determining direct property investment income	138,245	77,228
Property ownership revenue from consolidated managed fund investments	75,333	41,359
Interest revenue not included in segment income	10,282	8,022
Total revenue per income statement	546,053	318,299

Segment balance sheet

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

The segment balance sheet is adjusted for the following items:

- Retail Direct Property Syndicate investments are recognised as "Managed fund investments" regardless of the level of ownership held by Federation Centres. The investment value is calculated based on the ownership interest attributable to Federation Centres multiplied by the net asset value per unit for each RDP Syndicate.
- Investments held in joint ventures and associates are recognised on a "look-through" or gross basis, to reflect the gross property value of the underlying investment property. Any borrowings and interest rate swap derivatives of the equity accounted investments are also grossed up and separately recorded on the segment balance sheet of FDC.

4. SEGMENT INFORMATION (continued)

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

	Statutory basis	Reverse consolidation of RDP Syndicates	Reverse eliminations of RDP Syndicates	Recognise equity accounted investments at gross values	Segment balance sheet
As at 30 June 2013	\$'000	\$'000	\$'000	\$'000	\$'000
Current assets					
Cash	93,317	(21,109)	-	-	72,208
Non-current assets held for sale	417,354	(46,000)	-	-	371,354
Managed fund investments	79,071	-	-	-	79,071
Other	89,413	(10,167)	40,479	-	119,725
Total current assets	679,155	(77,276)	40,479	-	642,358
Non-current assets					
Investment property	4,081,715	(568,791)	7,250	-	3,520,174
Equity accounted investments	119,874	(9,950)	(7,250)	151,226	253,900
Managed fund investments	44,033	-	221,030	-	265,063
Intangible assets	199,735	-	-	-	199,735
Other	131,763	-	-	(117,387)	14,376
Total non-current assets	4,577,120	(578,741)	221,030	33,839	4,253,248
Total assets	5,256,275	(656,017)	261,509	33,839	4,895,606
Current liabilities					
Borrowings	372,940	(83,790)	10,651	-	299,801
Other current	286,844	(47,083)	27,813	428	268,002
Total current liabilities	659,784	(130,873)	38,464	428	567,803
Non-current liabilities					
Borrowings	1,108,410	(189,316)	-	32,844	951,938
Puttable interests in consolidated finite life trusts	112,292	(112,292)	-	-	-
Other non-current	12,761	(223,536)	223,045	567	12,837
Total non-current liabilities	1,233,463	(525,144)	223,045	33,411	964,775
Total liabilities	1,893,247	(656,017)	261,509	33,839	1,532,578
Net assets	3,363,028	-	-	-	3,363,028

4. SEGMENT INFORMATION (continued)

	Statutory basis	Reverse consolidation of RDP Syndicates	Reverse eliminations of RDP Syndicates	Recognise equity accounted investments at gross values	Segment balance sheet
As at 30 June 2012	\$'000	\$'000	\$'000	\$'000	\$'000
Current assets					
Cash	200,478	(17,287)	(809)	-	182,382
Managed fund investments	78,292	-	-	-	78,292
Other	127,948	(9,001)	19,625	-	138,572
Total current assets	406,718	(26,288)	18,816	-	399,246
Non-current assets					
Investment property	3,701,041	(579,150)	(90,520)	-	3,031,371
Equity accounted investments	590,834	(37,860)	68,320	151,678	772,972
Managed fund investments	192,254	-	216,728	-	408,982
Intangible assets	199,735	-	-	-	199,735
Other	6,906	-	(4)	(3,587)	3,315
Total non-current assets	4,690,770	(617,010)	194,524	148,091	4,416,375
Total assets	5,097,488	(643,298)	213,340	148,091	4,815,621
Current liabilities					
Borrowings	140,111	(49,189)	(14,350)	113,800	190,372
Other	252,492	(21,160)	9,766	677	241,775
Total current liabilities	392,603	(70,349)	(4,584)	114,477	432,147
Non-current liabilities					
Borrowings	1,238,662	(247,553)	(91)	33,000	1,024,018
Puttable interests in consolidated finite life trusts	106,561	(106,561)	-	-	-
Other	12,046	(218,835)	218,015	614	11,840
Total non-current liabilities	1,357,269	(572,949)	217,924	33,614	1,035,858
Total liabilities	1,749,872	(643,298)	213,340	148,091	1,468,005
Net assets	3,347,616	-	-	-	3,347,616

5. PROFIT/(LOSS) BEFORE INCOME TAX EXPENSE

	Federation Limited and its Controlled Entities	
	30.06.13 \$'000	30.06.12 \$'000
Included in profit/(loss) before income tax expense are:		
Borrowing costs:		
- Interest expense	113,043	87,058
- Amortisation of borrowing costs	11,643	6,928
	124,686	93,986
Employee benefits expenses:		
- Salaries and wages	60,978	30,869
- Defined contribution superannuation expense	4,925	3,140
- Share-based payments expense	4,137	898
	70,040	34,907

6. NET(LOSS)/GAIN FROM CAPITAL TRANSACTIONS AND SELLING COSTS

On 28 September 2012, RDP 37 (a syndicate consolidated by FDC) sold Gladstone which had a carrying amount of \$26 million for \$27 million. In February 2013, FDC sold Centro Keilor which had a carrying amount of \$67.1 million for \$67 million. In June 2013, FDC sold 50% of its interests in Bankstown Centre, Toormina Gardens and Karratha which had a carrying amount of \$370.6 million for \$369.8 million. The loss recognised on the above transactions was \$14.9 million analysed as follows:

	Federation Limited and its Controlled Entities	
	30.06.13 \$'000	30.06.12 \$'000
Proceeds from asset sales	463,800	789,175
Less: Carrying value of assets sold	(463,729)	(766,425)
Less: Directly attributable costs	(14,922)	(8,102)
Net (loss)/gain from capital transactions and selling costs	(14,851)	14,648

7. INCOME TAX

	Federation Limited and its Controlled Entities	
	30.06.13 \$'000	30.06.12 \$'000
(a) Income tax benefit/(expense)		
Current income tax expense	-	-
Deferred income tax benefit/(expense)	2,239	(2,239)
Total income tax expense	2,239	(2,239)
(b) Numerical reconciliation of tax expense recognised in the Income Statement and tax expense per the statutory income tax rate		
Reconciliation of the income tax expense and the product of accounting profit/(loss) before tax multiplied by the Group's applicable income tax rate is as follows:		
Profit/(loss) before income tax expense	210,416	(220,658)
Income tax (expense)/benefit calculated at 30% (2012: 30%)	(63,125)	66,197
Effect of trust accounting income/(losses) not subject to income tax	67,119	(59,203)
Initial recognition of deferred tax liability as a result of income tax law changes	-	(8,993)
Tax losses not recognised	(1,249)	-
Permanent differences	(506)	(240)
Income tax benefit/(expense)	2,239	(2,239)

(c) Summary of deferred income tax assets and liabilities recognised

	Federation Limited and its Controlled Entities	
	30.06.13 \$'000	30.06.12 \$'000
Deferred tax assets	8,654	6,279
Deferred tax liabilities	(8,654)	(8,518)
	-	(2,239)
The deferred tax balances comprise temporary differences attributable to:		
Accrued expenses	4,476	1,226
Provision for employee benefits	2,711	2,602
Tax losses	1,064	2,183
Accrued rollover and performance fee income	(4,982)	(7,735)
Deferred revenue	(3,028)	(515)
Other	(241)	-
	-	(2,239)

(d) Unrecognised temporary differences

The Group has a deferred tax assets of \$1.2 million (2012: \$nil) in relation to unused tax losses that have not been recognised on the basis that it is not probable that the Group will derive future assessable income of a nature and amount sufficient to enable the deductible temporary difference to be realised.

(e) Tax consolidation legislation

Federation Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. Federation Limited, as the head entity in the tax consolidated group, accounts for its own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Federation Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

7. INCOME TAX (continued)

(f) Taxation of financial arrangements (TOFA)

The Group has deferred tax assets of \$1.2 million (2012: \$nil) in relation to unused tax losses that have not been recognised on the basis that it is not probable that the Group will derive future assessable income of a nature and amount sufficient to enable the deductible temporary difference to be realised.

8. RECEIVABLES AND OTHER ASSETS

	Federation Limited and its Controlled Entities	
	30.06.13 \$'000	30.06.12 \$'000
Current		
Trade receivables	21,151	13,864
Less: Impairment provision on trade receivables	(1,573)	(1,177)
	19,578	12,687
Related party receivables ⁽¹⁾	7,215	26,267
Less: Impairment provision on related party trade receivables ⁽³⁾	(219)	(1,214)
	6,996	25,053
Prepayments and other assets	30,362	19,695
Total	56,936	57,435
Related party loans ⁽²⁾	21,238	59,411
Less: Impairment provision on related party loans ⁽³⁾	-	(15,231)
	21,238	44,180
Accrued rollover, performance, windup and deferred RE fees from related parties	11,239	25,782
Total current receivables and other assets	89,413	127,397
Non-current		
Related party loans and receivables ⁽⁴⁾	117,387	3,587
Total non-current receivables and other assets	117,387	3,587
Total receivables and other assets	206,800	130,984

⁽¹⁾ Related party receivables relate to outstanding Responsible Entity fees, fund management fees and other service fees that are outstanding from non-consolidated RDP syndicates at 30 June 2013. These trade receivables are provided on the same terms as trade receivables with non related parties.

⁽²⁾ Related party loans owed by non consolidated RDP syndicates. These loans are provided at market interest rates, and callable on demand but providing reasonable notice. FDC has provided to the RDP syndicates with loans outstanding an undertaking to not call on these loans without first providing reasonable notice which FDC anticipates would not be less than 12 months from the signing date of the syndicates' 30 June 2013 financial statements, noting that this undertaking does not apply to the extent that any trigger event under an existing loan facility would allow for earlier repayment or the Responsible Entity of the syndicates being replaced during the period. Irrespective of the above undertaking, related party loans expected to be repaid within 12 months after the reporting date, based on individual syndicate strategies, are classified as current.

⁽³⁾ Impairment provisions on related party loans and receivables are made where there is objective evidence of the non-collectability of the receivable. It is the Group's policy to raise a provision for impairment on related party loans and receivables when the loan-to-value ratio of the debtor exceeds 80%.

⁽⁴⁾ Includes related party loan of \$113.8 million to a joint venture arising from the novation of the external borrowings in the joint venture to FDC. All the terms and conditions of the novated borrowings remained unchanged. The loan is provided at market interest rates.

8 RECEIVABLES AND OTHER ASSETS (continued)

(a) Impairment provision

The Group has recognised a loss of \$1.6 million (2012: \$0.8 million) in respect of impaired trade receivables during the year ended 30 June 2013. The loss has been included in 'other expense' in the Income Statement.

Movements in the provision for impairment of receivables are as follows:

	Federation Limited and its Controlled Entities	
	30.06.13 \$'000	30.06.12 \$'000
Opening balance at the beginning of the year	(17,622)	-
Arising on aggregation	-	(17,911)
Provision for impairment recognised during the year	(1,573)	(799)
Net reversal of prior year provision	17,403	-
Receivables written off during the year against the provision	-	1,088
Closing balance	(1,792)	(17,622)
Comprises:		
Impairment provision on trade receivables	(1,573)	(1,177)
Impairment provision on related party receivables	(219)	(1,214)
Impairment provision on related party loans	-	(15,231)

(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. Related party loans that are not settled after notice of payment has been issued by the Group are considered past due.

The ageing analysis of trade receivables is as follows:

	Federation Limited and its Controlled Entities	
	30.06.13 \$'000	30.06.12 \$'000
Less than 30 days (not past due)	16,753	10,494
Between 31 days and 90 days (past due)	856	965
Greater than 91 days (past due)	1,969	1,228
	19,578	12,687

The ageing analysis of receivables from related parties is as follows:

	Federation Limited and its Controlled Entities	
	30.06.13 \$'000	30.06.12 \$'000
Less than 30 days (not past due)	38,819	82,551
Between 31 days and 90 days (past due)	583	634
Greater than 91 days (past due)	71	11,830
	39,473	95,015

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due. The Group does not hold any collateral in relation to these receivables.

9. INVESTMENTS

		Federation Limited and its Controlled Entities	
	Note	30.06.13 \$'000	30.06.12 \$'000
Included in the Balance Sheet as:			
Non-current assets classified as held for sale	9(a)	417,354	-
Investments accounted for using the equity method	9(b)	119,874	590,834
Financial assets carried at fair value through profit or loss	9(c)	123,104	270,546
Investment property	9(d)	4,081,715	3,701,041
		4,742,047	4,562,421

(a) Non-current assets held for sale

	30.06.13 \$'000	30.06.12 \$'000
Mandurah Forum ⁽¹⁾	128,150	-
Cranbourne Park ⁽¹⁾	62,750	-
Karingal Hub ⁽¹⁾	93,150	-
Warriewood Grove ⁽¹⁾	70,154	-
Halls Head Village ⁽¹⁾	17,150	-
Sunshine Marketplace ⁽²⁾	46,000	-
	417,354	-

⁽¹⁾ Represents 50% interest sold to ISPT under co-ownership agreement entered on 8 February 2013 which settled on 31 July 2013.

⁽²⁾ Represents 50% interest sold to Challenger under co-ownership agreement announced on 5 June 2013 which settled on 23 July 2013.

	30.06.13 \$'000	30.06.12 \$'000
Movements for the year of non-current assets held for sale:		
Opening balance at the beginning of the year	-	-
Arising on Aggregation	-	113,669
Transfer to investment property	-	(15,300)
Transfer from investment property	417,354	-
Recognition of selling costs	-	381
Disposal during the year	-	(98,750)
Closing balance	417,354	-

9. INVESTMENTS (continued)

(b) Investments accounted for using the equity method

Federation Limited and its Controlled Entities

Valuation Type		Group entity interest		Carrying amount		Share of net profit/(loss)	
		30.06.13 %	30.06.12 %	30.06.13 \$'000	30.06.12 \$'000	30.06.13 \$'000	30.06.12 \$'000
Bankstown Centre ⁽¹⁾	Directors	-	50.0	-	285,000	4,982	17,390
Roselands ⁽²⁾	Directors	-	50.0	-	168,063	9,820	9,993
Perth City Central ⁽³⁾	n/a	-	-	-	-	-	(206)
Lutwyche City ⁽¹⁾	Directors	-	50.0	-	26,000	1,200	(2,543)
Tuggeranong Hyperdome ⁽⁴⁾	Directors	50.0	50.0	47,613	39,036	1,032	(3,683)
Victoria Gardens Shopping Centre ⁽⁴⁾	Independent	50.0	50.0	55,061	54,135	4,147	5,481
Emerald Village ⁽⁵⁾	Directors	50.0	50.0	9,950	11,000	3	(1,132)
Emerald Market ⁽⁵⁾	Directors	50.0	50.0	7,250	7,600	(420)	-
				119,874	590,834	20,764	25,300

⁽¹⁾ Properties now consolidated by FDC following the acquisition of the units in the syndicates that previously held the other 50% interest in these properties. Refer Note 9(d) for additional information on Bankstown Centre.

⁽²⁾ Was 50% owned by FDC and 50% owned by a RDP 21, RDP 21 sold its 50% interest to Challenger. The property is now proportionately consolidated as a result of the co-ownership agreement that FDC signed with Challenger.

⁽³⁾ Investment was sold in January 2012.

⁽⁴⁾ 50% owned directly and 50% owned by an external party.

⁽⁵⁾ 50% owned through a consolidated Retail Direct Property Syndicate and 50% owned by a non-consolidated Retail Direct Property Syndicate.

Federation Limited
and its Controlled Entities

Notes	30.06.13 \$'000	30.06.12 \$'000
Movements for the year for investments accounted for using the equity method:		
Opening balance at the beginning of the year	590,834	-
Arising on Aggregation	-	583,589
Share of net profits of equity accounted investments	20,764	25,300
Distribution of net income from equity accounted investments	(24,388)	(24,620)
Additional investments made during the year	11,295	6,565
Acquired on business combination 23(d)	312,891	-
Transferred to investment properties 9(d)	(791,522)	-
Closing balance	119,874	590,834

9. INVESTMENTS (continued)

(c) Financial assets carried at fair value through profit or loss

	Federation Limited and its Controlled Entities	
	30.06.13 \$'000	30.06.12 \$'000
Current assets ⁽¹⁾		
Retail Direct Property 4	8,268	11,376
Retail Direct Property 11	66	5,387
Retail Direct Property 16	-	1,930
Retail Direct Property 19 UT	2,112	-
Retail Direct Property 21	47,373	48,188
Retail Direct Property 22	-	6,579
Retail Direct Property 23	172	4,477
Retail Direct Property 34	16,525	-
Other RDP syndicates	243	355
External investments	4,312	-
	79,071	78,292
Non-current assets		
Retail Direct Property 5	13,450	12,977
Retail Direct Property 9	-	7,556
Retail Direct Property 10	7,138	6,640
Retail Direct Property 14	13,532	12,645
Retail Direct Property 15	6,912	7,903
Retail Direct Property 18 ⁽²⁾	-	8,647
Retail Direct Property 19 UT	-	8,452
Retail Direct Property 20	-	3,447
Centro MCS 28 ⁽²⁾	-	63,008
Centro MCS 33 ⁽²⁾	-	32,701
Retail Direct Property 34	-	20,917
External investments	3,001	7,361
	44,033	192,254
Total financial assets carried at fair value through profit or loss	123,104	270,546

⁽¹⁾ The investments carried at fair value through profit or loss are classified as current as the Responsible Entity of these investments has indicated its intention to wind up the funds within the next 12 months.

⁽²⁾ FDC obtained control of RDP 18, Centro MCS 28 and Centro MCS 33 on 31 August 2012, 5 October 2012 and 17 December 2012 respectively, refer to Note 23.

9. INVESTMENTS (continued)

(c) Financial assets carried at fair value through profit or loss (continued)

		Federation Limited and its Controlled Entities	
	Notes	30.06.13 \$'000	30.06.12 \$'000
Movements for the year of financial assets carried at fair value through profit or loss:			
Opening balance at the beginning of the year		270,546	-
Arising on Aggregation		-	304,525
Fair value losses during the year arising on valuation of financial assets carried at fair value through profit or loss		(4,250)	(351)
Disposals		(739)	(3,245)
Return of capital		(35,206)	(19,846)
Obtained control during the year and now consolidated	23(b)	(107,247)	(10,537)
Closing balance		123,104	270,546

9. INVESTMENTS (continued)

(d) Investment property

	FDC Interest	Mall Type	Valuation Type	Federation Limited and its Controlled Entities	
				30.06.13 \$'000	30.06.12 \$'000
Bankstown Centre ⁽⁴⁾ ⁽²⁾	50%	Regional	Directors	284,300	-
Colonnades ⁽³⁾	50%	Regional	Directors	153,000	150,000
Galleria ⁽³⁾	50%	Regional	Independent	341,500	333,000
Roselands ⁽²⁾	50%	Regional	Directors	166,897	-
The Glen ⁽³⁾	50%	Regional	Directors	215,750	207,425
Albury ⁽¹⁾	100%	Sub-regional	Directors	55,450	54,800
Armidale	100%	Sub-regional	Independent	39,000	38,800
Arndale Central	100%	Sub-regional	Independent	140,000	100,546
Box Hill Central	100%	Sub-regional	Independent	169,000	166,000
Brandon Park ⁽¹⁾	100%	Sub-regional	Directors	114,200	111,000
Buranda Village	100%	Sub-regional	Directors	33,300	34,300
Burnie ⁽⁴⁾	100%	Sub-regional	Directors	17,000	-
Cranbourne Park ⁽⁸⁾	50%	Sub-regional	Independent	62,750	124,000
Goulburn	100%	Sub-regional	Directors	50,000	48,500
Gympie Central ⁽⁵⁾	100%	Sub-regional	Directors	63,800	
Karingal Hub ⁽⁸⁾	50%	Sub-regional	Independent	93,150	182,000
Karratha ⁽²⁾	50%	Sub-regional	Directors	47,925	98,120
Lavington Square	100%	Sub-regional	Directors	59,000	59,000
Maddington ⁽¹⁾	100%	Sub-regional	Independent	97,050	93,500
Mandurah Forum ⁽⁸⁾	50%	Sub-regional	Independent	128,150	248,450
Mildura Plaza	100%	Sub-regional	Directors	90,500	88,000
Mornington Central	100%	Sub-regional	Directors	55,000	55,000
Mount Gambier	100%	Sub-regional	Independent	30,000	29,000
Nepean Village	100%	Sub-regional	Independent	115,500	107,500
Somerville	100%	Sub-regional	Independent	38,500	38,500
Springwood	100%	Sub-regional	Independent	48,000	49,000
Sunshine Marketplace ⁽¹⁾ ⁽⁸⁾	50%	Sub-regional	Directors	46,000	91,000
Taigum Square	100%	Sub-regional	Independent	79,500	77,700
Toombul	100%	Sub-regional	Independent	215,000	212,700
Toormina Gardens ⁽⁵⁾ ⁽²⁾	50%	Sub-regional	Directors	32,750	-
Tweed	100%	Sub-regional	Directors	70,000	76,000
Tweed Supermarket ⁽¹⁾	100%	Sub-regional	Independent	15,000	14,900
Warriewood Grove ⁽⁸⁾	50%	Sub-regional	Independent	70,154	138,000
Warwick Grove	100%	Sub-regional	Directors	132,500	128,000
Westside	100%	Sub-regional	Independent	35,500	35,000
Whitsundays	100%	Sub-regional	Directors	47,545	48,550
Wodonga Village	100%	Sub-regional	Independent	46,000	44,000
Carried forward				3,498,671	3,282,291

9. INVESTMENTS (continued)

(d) Investment property (continued)

				Federation Limited and its Controlled Entities	
	FDC Interest	Mall Type	Valuation Type	30.06.13 \$'000	30.06.12 \$'000
Brought forward				3,498,671	3,282,291
Albany	100%	Convenience	Independent	25,000	26,800
Dianella ⁽⁵⁾	100%	Convenience	Directors	57,000	-
Flinders Square ⁽⁴⁾	100%	Convenience	Directors	23,500	-
Glenorchy ⁽¹⁾	100%	Convenience	Independent	18,200	19,000
Goldfields Plaza	100%	Convenience	Independent	21,000	20,700
Halls Head Village ⁽⁸⁾	50%	Convenience	Independent	17,150	28,000
Hilton ^{(1) (4)}	100%	Convenience	Directors	18,000	-
Katherine Oasis Shopping Centre	100%	Convenience	Independent	25,000	25,200
Lutwyche City ⁽⁴⁾	100%	Convenience	Directors	52,000	-
Milton ⁽⁴⁾	100%	Convenience	Directors	18,250	-
Monier Village ⁽¹⁾	100%	Convenience	Directors	11,200	11,700
North Shore	100%	Convenience	Directors	18,500	18,000
Oakleigh ⁽¹⁾	100%	Convenience	Independent	44,200	43,000
Oxenford ⁽¹⁾	100%	Convenience	Directors	23,000	22,800
Raymond Terrace ⁽¹⁾	100%	Convenience	Directors	25,500	25,600
The Gateway Shopping Village ^{(1) (4)}	100%	Convenience	Directors	30,400	-
Victoria Park	100%	Convenience	Independent	21,750	21,500
Warnbro Fair	100%	Convenience	Directors	53,000	51,300
Warrnambool	100%	Convenience	Independent	12,300	12,100
Woodlands ⁽¹⁾	100%	Convenience	Independent	14,450	14,450
Indooroopilly ⁽¹⁾	100%	Bulky goods	Independent	46,900	43,800
Gladstone Home ^{(1) (6)}	n/a	n/a	n/a	-	26,000
Keilor land ⁽⁷⁾	n/a	n/a	n/a	-	8,800
				4,074,971	3,701,041
Development projects and construction in progress				6,744	-
Total				4,081,715	3,701,041

⁽¹⁾ Owned through consolidated Retail Direct Property syndicates.

⁽²⁾ During the period, FDC sold a 50% share to and entered into a co-ownership agreement with Challenger in respect to Toormina Gardens, Bankstown Centre, Roselands and Karratha. As a result of this transaction FDC proportionately consolidates its 50% share in the properties as jointly controlled assets.

⁽³⁾ Represents FDC's 50% ownership in a jointly controlled asset. The other 50% of the property is held by an external party.

⁽⁴⁾ These properties are now consolidated after FDC gained control of Retail Direct Property 18, Centro MCS 18, Centro MCS 28 and Centro MCS 33 during the period (Refer Note 21) following gaining control of Retail Direct Property 18, Centro MCS 28 and Centro MCS 33 during the period (Refer Note 23).

⁽⁵⁾ FDC acquired Dianella, Toormina Gardens and Gympie Central on 1 October 2012, 14 December 2012 and 31 May 2013 respectively.

⁽⁶⁾ Gladstone Home was disposed of on 29 September 2012.

⁽⁷⁾ Disposed on 28 February 2013 together with the property that had been held by Centro MCS 33.

⁽⁸⁾ 50% classified as held for sale. Refer Note 9(a).

9. INVESTMENTS (continued)

(d) Investment property (continued)

		Federation Limited and its Controlled Entities	
	Note	30.06.13 \$'000	30.06.12 \$'000
Movements for the year of investment property:			
Opening balance at the beginning of the year		3,701,041	-
Arising on Aggregation		-	4,194,190
Acquisition of investment property		188,223	-
Stamp duty capitalised on acquisition of investment property		10,246	-
Disposal of interests in investment property		(463,608)	(667,697)
Investment properties arising from acquisition of syndicates	23(b)	162,869	110,199
Transferred from equity accounted investments	9(b)	791,522	-
Transferred (to)/from non-current assets classified as held for sale	9(a)	(417,354)	15,300
Capital expenditure during the year		80,794	28,806
Property revaluation increment for the year		37,925	18,352
Stamp duty written off on acquisition of investment property		(10,246)	-
Straight-lining of rent adjustment		440	1,879
Tenant allowance amortisation		(137)	12
Closing balance		4,081,715	3,701,041

Investment property valuation basis

Investment properties are carried at fair value. Members of the Australian Property Institute were engaged to independently value the portfolio, as indicated above, as at 30 June 2013. The Board of Directors of Federation Centres has reviewed these valuations and determined that they are appropriate to use as 30 June 2013. Directors' valuations are based on the assumptions on growth rates, occupancy and capitalisation rates used in the independent valuations of similar properties, adjusted for any factors specific to the actual property.

A movement in the adopted property capitalisation rates of 0.25%, across the investment property portfolio would impact net assets by approximately \$140.9 million and net tangible assets attributable to securityholders of Federation Limited by approximately \$0.10 per stapled security.

10. INTANGIBLE ASSETS

	Federation Limited and its Controlled Entities	
	30.06.13 \$'000	30.06.12 \$'000
Goodwill	199,735	199,735
Movements for the year of goodwill:		
Balance at the beginning of the year	199,735	-
Arising on Aggregation	-	199,735
Closing balance	199,735	199,735

Goodwill represents the acquired value of the Services Business, which provides property management, development, leasing and funds management services to the Group and various managed funds.

Impairment tests for intangible assets

Goodwill is allocated to the Group's cash-generating units (CGUs), as presented below.

	Federation Limited and its Controlled Entities	
	30.06.13 \$'000	30.06.12 \$'000
Funds management	82,523	82,523
Property, leasing and development	117,212	117,212
Total Goodwill	199,735	199,735

At 30 June 2013, the Group carries a value for goodwill of \$199.7 million. The fair value less costs to sell of goodwill is based on the estimated market price of the asset in an arm's length transaction, and is calculated using a discounted cash flow model, using assumptions that would ordinarily be made by market participants.

The discounted cash flow valuation as at 30 June 2013 is based on the following key assumptions:

Cash flows used are based on revenue streams from managing the Group funds under management (FUM). These revenue streams are calculated using management fee rates observable in recent market transactions. The cash flows were projected based on detailed FY2014 budgets, forecasts to FY2018 and an extrapolation to FY2023 with terminal growth rates of 2%. A cash flow projection of ten years is considered suitable to appropriately factor into the forecast horizon changes in the risk profile of cash flows associated with some of the Group's consolidated funds.

Cash flows were discounted using pre-tax discount rates of between 10% and 12% with riskier cash flows attracting higher discount rates. The discount rates applied reflect a base weighted average cost of capital (WACC) of approximately 8% adjusted for both activity risk FUM retention risk as described below:

- Activity risk reflects the risks associated with the nature of the service provided (e.g. property management, leasing, development or funds management); and
- FUM retention risk reflects the risk profile (high, medium or low) adopted for the Group's FUM from which services income is derived. The ranking of high, medium and low, which has been applied to the cashflows derived from each income stream reflects the risk that the income stream will not be achieved.

As at 30 June 2013, this amount supports the carrying amount and no impairment has been recognised. Additionally, the Board has considered the requirements of fair value less costs to sell at 30 June 2013 and has determined that no reasonably possible changes would give rise to impairment.

11. TRADE AND OTHER PAYABLES

	Federation Limited and its Controlled Entities	
	30.06.13 \$'000	30.06.12 \$'000
Current		
Trade payables	13,316	10,733
Accrued expenses	61,891	51,245
Accrued interest	4,808	6,188
Distributions payable ⁽¹⁾	117,220	89,739
Other payables	6,125	8,021
Total current trade and other payables	203,360	165,926

⁽¹⁾ Comprises distributions payable to FDC securityholders and distributions payable to puttable interests in finite life trusts.

12. PROVISIONS

	Federation Limited and its Controlled Entities	
	30.06.13 \$'000	30.06.12 \$'000
Current		
Employee benefits	4,170	4,134
Provision for stamp duty	78,768	78,867
Total current provisions	82,938	83,001
Non-current		
Employee benefits – long service leave ⁽¹⁾	4,866	4,541
Total non-current provisions	4,866	4,541

⁽¹⁾ The provision for long service leave includes all unconditional entitlements where employees have completed the required period of service and those where employees are entitled to pro-rata payments in certain circumstances. The amount is presented as non-current because based on past experience, the Group does not expect all employees to take the full amount of the accrued long service leave or require payment within the next 12 months.

	30.06.13 \$'000	30.06.12 \$'000
Movements for the year in the provision for stamp duty:		
Opening balance at the beginning of the year	78,867	-
Arising from Aggregation	-	88,484
Stamp duty provision provided	27,381	54,678
Stamp duty paid on aggregation	-	(51,791)
Other stamp duty paid	(27,480)	(12,504)
Closing balance	78,768	78,867

13. DERIVATIVE FINANCIAL INSTRUMENTS

	Federation Limited and its Controlled Entities	
	30.06.13 \$'000	30.06.12 \$'000
Derivative assets		
Interest rate swap contracts	3,931	551
Total derivative assets	3,931	551
Classified as follows:		
Current	-	551
Non-current	3,931	-
Derivative liabilities		
Interest rate swap contracts	5,591	8,831
Total derivative liabilities	5,591	8,831
Classified as follows:		
Current	546	3,565
Non-current	5,045	5,266

The majority of bank borrowings of the Group are at variable interest rates. To mitigate the interest rate risk arising from these variable interest rate borrowings, FDC has entered into a number of interest rate swaps. Refer to Note 14(g) for details on the use of derivatives and effectiveness in mitigating interest rate risk for the Group.

14. INTEREST BEARING LIABILITIES

	Federation Limited and its Controlled Entities	
	30.06.13 \$'000	30.06.12 \$'000
Interest bearing liabilities	1,490,725	1,390,887
Deferred debt costs and fair value adjustments ⁽¹⁾	(9,375)	(12,114)
Total interest bearing liabilities	1,481,350	1,378,773
Classified as follows		
Current	372,940	140,111
Non-current	1,108,410	1,238,662
Total interest bearing liabilities	1,481,350	1,378,773

⁽¹⁾ Comprises the unamortised value of fair value adjustments to interest bearing liabilities on acquisition of certain RDP Syndicates, and costs incurred and deferred on the Balance Sheet as deferred debt costs under interest bearing liabilities. These costs are amortised to the Income Statement as part of borrowing costs using the effective interest rate method.

	Federation Limited and its Controlled Entities	
	30.06.13 \$'000	30.06.12 \$'000
(a) Financing arrangements		
The Group has access to the following lines of credit:		
Total facilities available ⁽¹⁾	1,705,425	1,874,426
Facilities utilised at the end of the year	1,490,725	1,390,887
Total facilities not utilised at the end of the year	214,700	483,539

⁽¹⁾ Excludes delayed start facility of \$225 million available from December 2013.

(b) Defaults on debt obligations

At 30 June 2013, the Group had no defaults on debt obligations. (2012: None)

(c) Breaches of lending covenants

At 30 June 2013, the Group had no breaches of lending covenants. (2012: None)

(d) Assets pledged as security

Security provided is standard for loans of this nature including mortgages or real property, mortgages over shares and units in each property owner, fixed and floating charges and guarantees.

(e) Hedging policy for interest rate risk

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

14. INTEREST BEARING LIABILITIES (continued)

(f) Maturity profile of interest bearing liabilities

30 June 2013

Federation Limited and its Controlled Entities				
	Less than 1 year ⁽²⁾	1 to 3 years	Greater than 3 years	Carrying amount
	\$'000	\$'000	\$'000	\$'000
Interest bearing liabilities ⁽¹⁾	373,400	640,525	476,800	1,481,350

30 June 2012

Federation Limited and its Controlled Entities				
	Less than 1 year	1 to 3 years	Greater than 3 years	Carrying amount
	\$'000	\$'000	\$'000	\$'000
Interest bearing liabilities ⁽¹⁾	140,450	1,015,607	234,830	1,378,773

⁽¹⁾ Maturity profile represents contractual principal repayments and excludes the interest payments, amortisation profile of deferred debt costs.

⁽²⁾ \$355 million of the facilities due in less than one year have been fully repaid using proceeds of contracted asset sales with ISPT and Challenger which settled in July 2013. The remaining \$18.4 million will be repaid using available undrawn facilities.

(g) Interest rate risk sensitivity

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

As at the balance date, the Group (which includes consolidated RDP Syndicates) had the following exposure to cash flow interest rate risk:

Federation Limited and its Controlled Entities		
	30.06.13 \$'000	30.06.12 \$'000
Total interest bearing liabilities	1,481,350	1,378,773
Add: Deferred debt costs	9,375	12,114
Less: Fixed rate borrowings	(162,625)	(371,300)
Variable rate borrowings	1,328,100	1,019,587
Less: Related party loan receivables at variable rate	(21,238)	(44,180)
Net variable rate borrowings exposed to cash flow interest rate risk at 30 June 2013	1,306,862	975,407
Less: borrowings repaid in July 2013 ⁽¹⁾	(300,000)	-
Representative net variable rate borrowings exposed to cash flow interest rate risk	1,006,862	975,407
Less: Notional principal of outstanding interest rate swap contracts	(523,287)	(696,828)
Representative net variable rate borrowings exposed to cash flow interest rate risk after effect of interest rate swaps	483,575	278,579

⁽¹⁾ Represents borrowings repaid in July 2013 following the settlement of the transactions with ISPT are deducted to provide the representative cashflow interest rate exposure of FDC, noting that the hedges associated with the repaid borrowings were closed out in June 2013. These borrowings will not be redrawn.

14. INTEREST BEARING LIABILITIES (continued)**(g) Interest rate risk sensitivity (continued)****Federation Limited and its Controlled Entities' Sensitivity**

While interest rates can move up or down, a shift in the forward interest rate curve of +/- 25bps, assuming the net exposure to cash flow interest rate risk as at 31 July 2013 after debt repayments in 31 July remains unchanged for the next 12 months, will increase/decrease the Group's cash interest cost for the next 12 months by \$1.2 million (2012: \$0.7 million). This sensitivity analysis should not be considered a projection.

15. CONTRIBUTED EQUITY

	Federation Limited and its Controlled Entities	
	30.06.13 Number'000	30.06.12 Number'000
Number of stapled securities issued:		
Opening balance at the beginning of the year	1,340,723	-
Arising on Aggregation	-	1,340,723
Issue of FDC securities on settlement of Class Action True-up Securities on 31 July 2012	86,669	-
Other securities issues	250	-
Closing balance	1,427,642	1,340,723
	30.06.13 \$'000	30.06.12 \$'000
Paid up capital		
– Ordinary	3,657,240	3,453,502

Ordinary stapled securities

An ordinary stapled security comprises one share in FL, and one unit in each of FCT 1, FCT 2 and FCT 3. Ordinary stapled securities entitle the holder to participate in distributions and the proceeds on winding up of the Group or Trusts in proportion to the number of securities held.

Capital risk management

FDC Capital management strategy is to maintain a stable debt and capital structure that will provide consistent returns and flexibility to pursue value adding activities. This will be achieved through maintaining a target a conservative gearing ratio between 25-35%, retaining an investment grade credit rating, a prudent distribution payout ratio and the application of disciplined capital allocation strategies that drive returns for securityholders.

16. CLASS ACTION TRUE-UP SECURITIES

	Federation Limited and its Controlled Entities	
	30.06.13	30.06.12
	\$'000	\$ '000
Class Action True-up Securities (CATS)	-	203,261

A brief summary of the calculation associated with the CATS structure as well as explanation of the financial statements implications are set out below.

- At the time of the aggregation process leading to the formation of FDC concluded in December 2011, the potential liability arising from the CER Class Action Litigation was not known and was therefore not taken into account in CER's pre-Aggregation balance sheet.
- No adjustment was made to the aggregation ratios to take into account this potential liability – CER contributed 32% of the net assets on Aggregation and CER securityholders received 32% of the FDC securities, notwithstanding the CER Class Action Litigation.
- The remaining 68% of FDC securities were issued to the other parties to the Aggregation.
- As part of Aggregation, 908 million CATS were issued to those FDC securityholders who were not exposed to the CER Class Action Litigation pre-aggregation. These parties were issued with 1 CATS for every 1 CRF stapled security held by them on Aggregation.
- CATS were not issued to CER securityholders.
- Court approved settlement of the CER Class Action Litigation has occurred at a total cost of \$94.2 million (including costs).
- In accordance with the formula in the CATS terms (as set out in the disclosure document issued in connection with aggregation) 86.7 million new FDC securities were issued on 31 July 2012.

On Aggregation the CATS were considered as a financial liability due to FDC's obligation to settle the CATS either by an issue of new FDC securities (for nil consideration) or a cash payment, both of which were variable and contingent at the date of Aggregation. As a result, the recognition of this liability was reflected in FDC's subsequent Income Statement and Balance Sheet. At 31 December 2011, the Income Statement included an expense of \$66 million in relation to the CATS, with a liability of the same amount reflected in the 31 December 2011 Balance Sheet. This amount reflected the then "market implied" fair value of the CATS.

The CATS were designated at fair value through profit or loss on initial recognition as they were managed on a fair value basis.

For the year ended 30 June 2012, FDC's Income Statement included a total expense of \$203.3 million reflecting the fair value of the required equity adjustment between the different securityholders resulting from the Court's approval of settlement of the CER Class Action Litigation on 19 June 2012. The Court approval of settlement in conjunction with FDC's announced intention (on 10 May 2012) to settle the obligation under the CATS terms by issuing a fixed number of new FDC securities, resulted in the CATS amount being reflected within equity in CRF's 30 June 2012 Balance Sheet.

On 31 July 2012, 86.7 million new FDC securities were issued for settlement of the Class Action True-up Securities.

The issue of these new securities to CATS holders effectively re-balances the ratio of Aggregation between non-CER securityholders and former CER securityholders so as to take into account the outcome of the CER Class Action Litigation as contemplated by the Aggregation terms. The amounts involved have been independently verified.

17. CASH FLOW INFORMATION

		Federation Limited and its Controlled Entities	
	Notes	30.06.13 \$'000	30.06.12 \$'000
Reconciliation of profit/(loss) after tax to net cash inflow from operating activities			
Net profit/(loss) after tax		212,655	(222,897)
Exclude non-cash items:			
Loss/(gain) on capital transactions and selling costs		14,851	(17,720)
Property revaluation increment for directly owned properties	9(d)	(37,925)	(18,352)
Depreciation and amortisation		1,494	696
Bad debt recovered	8(a)	(17,403)	-
Provision for bad and doubtful debts	8(a)	1,573	799
Share of net profits of associates and joint venture partnerships accounted for using the equity method	9(b)	(20,764)	(25,300)
Distribution of net income from equity accounted investments	9(b)	24,388	24,620
Fair value adjustment on financial assets at fair value through profit or loss	9(c)	4,250	351
Fair value adjustment on Class Action True-up Securities	16	-	203,261
Discount on acquisition	23	(490)	(3,130)
Movement in net assets attributable to puttable interests in consolidated finite life trusts		9,011	(2,592)
Net tax benefit/(expense)	7	(2,239)	2,239
Net movements on mark to market of derivatives		(898)	21,764
Share-based payment expense	20(b)	4,137	898
Amortisation of fair value of debt on acquisition of syndicate		(5,093)	-
Other non cash items		(358)	(1,086)
Exclude items shown under investing and financing activities:			
Stamp duty paid on Aggregation	12	-	51,791
Other Stamp duty paid	12	27,381	12,504
Deferred debt cost written off and break cost paid as a result of capital transaction		12,466	-
Movement in working capital:			
Decrease in trade and other receivables		6,817	33,707
Increase/(decrease) in provisions		361	(10,696)
Decrease in trade and other payables		(16,707)	(30,393)
Net cash inflow from operating activities		217,507	20,464

18. EARNINGS/(LOSS) PER SECURITY

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

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

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

	Federation Limited and its Controlled Entities	
	30.06.13 \$'000	30.06.12 \$'000
Net loss attributable to securityholders of Federation Limited	(11,499)	(25,554)
Net profit/(loss) attributable to securityholders of Federation Centres	212,655	(222,897)

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

	Federation Limited and its Controlled Entities	
	30.06.13 Number '000	30.06.12 Number '000
Weighted average number of securities used in calculation of basic earnings/(loss) per security	1,420,119	1,340,723
Adjusted for weighted average number of performance rights granted	5,267	-
Weighted average number of securities used in calculation of diluted earnings/(loss) per security	1,425,386	1,340,723

19. NET TANGIBLE ASSET BACKING

	Federation Limited and its Controlled Entities	
	30.06.13 \$'000	30.06.12 \$'000
Net assets attributable to securityholders of Federation Centres	3,363,028	3,347,616
Less: Intangible assets	(199,735)	(199,735)
Net tangible assets attributable to securityholders of Federation Centres	3,163,293	3,147,881
	Number '000	Number '000
Number of securities outstanding at the end of the period	1,427,642	1,340,723
Issue of FDC securities on settlement of Class Action True-up Securities on 31 July 2012	-	86,669
Adjusted number of securities outstanding at the end of the period used in the calculation of net tangible asset backing per security	n/a	1,427,392
	\$	\$
Net tangible asset backing per security ⁽¹⁾	2.22	2.21

⁽¹⁾ Net tangible asset backing per security at 30 June 2012 has been shown adjusted for the issue of FDC securities on settlement of the CATS on 31 July 2012

20. SHARE-BASED PAYMENTS

During the period, to strengthen the overall alignment of the interest of all of our employees to that of our securityholders FDC incurred share based payment expenses from:

- A second grant of performance rights to certain a select number of senior management under the FDC Senior Executive Performance Rights Plan (the Plan) – the FY2013 grant
- \$1,000 worth of FDC securities to all other employees an Exempt Employee Share Plan.

(a) FDC Senior Executive Performance Right Plan

Plan description

The Plan is designed to align executive's 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 50% of the rights granted have a relative Total Shareholder Return (TSR) vesting hurdle and the remaining 50% have an underlying Earnings Per Security (EPS) 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.

The Plan performance period is for a minimum period of three complete financial years. However, with the establishment of FDC in December 2011, the performance period for the financial year 2012 grant was for two years and seven months (i.e. 31 months).

The Board adopted relative TSR as the externally focused performance measure on the basis that it is transparent and represents one of the best ways of linking executive reward and Securityholder return. Relative TSR measures the performance of an ordinary FDC security (including the value of any cash dividends and other securityholder benefits paid during the performance period) relative to the other companies in the comparator group over the same period.

For the FY2012 and FY2013 LTI grants, the Board decided that an appropriate comparator group for the relative TSR performance hurdle was the S&P/ASX 200 A-REIT Index comprising the following companies:

Abacus Property Group	Goodman Group
Australand Holdings Limited	GPT Group
BWP Trust	Investa Office Fund
CFS Retail Property Trust	Mirvac Group
Charter Hall Group	Shopping Centres Australasia Property Group
Charter Hall Retail REIT	Stockland Corporation Limited
Commonwealth Property Office Fund	Westfield Group
Dexus Property Group	Westfield Retail Trust

20. SHARE-BASED PAYMENTS (continued)

(a) FDC Senior Executive Performance Right Plan (continued)

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.

FDC'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 FDC's relative TSR performance. The percentage of TSR performance rights which vest, if any, will be determined by reference to the percentile ranking achieved by FDC over the performance period compared to the comparator group, as follows:

Relative TSR percentile ranking	Percentage of total performance rights that may vest
Less than the 50 th percentile	0%
At the 50 th percentile	50%
Greater than the 50 th percentile, but less than the 75 th percentile	Progressive pro-rata vesting from 50% to 100%, i.e., on a straight line basis
At the 75 th percentile or greater	100% (i.e. maximum amount under the plan)

Underlying Earnings Per Security (EPS) was adopted as the internally focused measure as underlying EPS is a key driver of the Group's capacity to pay dividends which is typically a primary objective for investors in the A-REIT sector.

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

FY 2012 grant		FY 2013 grant	
% of Underlying EPS target achieved	Percentage of underlying EPS performance rights to vest	% of Underlying EPS target achieved	Percentage of underlying EPS performance rights to vest
98%	50%		
99%	70%	Less than 100%	0%
100%	80%	100%	50%
101%	90%	101%	75%
102% and above	100%	102% and above	100%

The underlying EPS vesting scale for the FY2012 LTI grant was a 'one off' arrangement adopted only for this grant which was established against a backdrop of significant uncertainty and reflected the transitional environment and challenges faced in forecasting an EPS target for FY2014 at the point at which the new entity was only just established.

The FY2013 grant requires 100% of the applicable EPS target to be met before a partial vesting of the underlying EPS performance rights occurs. 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.

Until the performance rights vest, an executive has no entitlement to receive dividends from the performance rights; no legal or beneficial interest in the underlying securities and no voting rights in relation to the performance rights.

20. SHARE-BASED PAYMENTS (continued)**(a) FDC Senior Executive Performance Right Plan (continued)**

There are a number of other circumstances (other than failure to meet the performance hurdle) in which executives' performance rights will not vest. These include where an executive:

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
4. where they are convicted of an offence or have a judgement entered against them in connection with the affairs of the Group.

In the event of cessation for reasons such as redundancy, death, total and permanent disablement, retirement or separation by mutual agreement, a pro rata amount of unvested performance rights will lapse based on the remaining performance period. The portion relating to the executive's completed service may still vest at the end of the performance period subject to meeting the performance measures under the Plan. The Board retains discretion to determine the treatment of an executive's performance rights upon cessation of employment.

The Plan Rules provide for a clawback 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 LTI securities where the participant's holding vests as a result of someone else's fraud, dishonesty or non-compliance.

Grants during the period

	Federation Limited and its Controlled Entities			
	2013	2013	2012	2012
Executive Performance Right Plan	Number	Weighted average exercise price	Number	Weighted average exercise price
Opening balance at 1 July	3,008,937	-	-	-
Forfeited during the period	(163,001)	-	-	-
Granted during the year	3,666,708	Nil	3,008,937	Nil
Closing balance at 30 June	6,512,644	Nil	3,008,937	Nil
Exercisable at 30 June	Nil		Nil	
Weighted average remaining contractual life	2.1 years		2 years	

Fair value and pricing model

The weighted average fair value of the performance rights granted during the year was as follows:

	Federation Limited and its Controlled Entities	
	2013	2012
	\$	\$
Performance Rights with Relative TSR hurdle	1.07	1.00
Performance Rights with underlying EPS hurdle	1.81	1.65

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 FDC 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.

20. SHARE-BASED PAYMENTS (continued)

(a) FDC Senior Executive Performance Right Plan (continued)

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

	Federation Limited and its Controlled Entities		
	CEO and other senior executive performance rights	CEO performance rights	Other senior executive performance rights
	2013	2012	2012
Grant dates	1 November 2012	5 April 2012	17 May 2012
Distribution Yield (%)	6.5	6.5	6.5
Risk-free interest rate (%)	2.6	3.4	2.6
Volatility of FDC securities (%)	35.0	47.0	47.0
Security price at measurement date (\$)	2.14	1.84	1.91

Distribution yield is based on FDC's expected annual distribution rate over the next three years. As FDC was established upon Aggregation in December 2011, there are no historical distribution payments to date. However, 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 Underlying EPS 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.

(b) Expenses arising from share-based payment transactions

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

	Federation Limited and its Controlled Entities	
	2013 \$'000	2012 \$'000
FDC Senior Executive Performance Right Plan	3,562	898
Other share based payment expenses ⁽¹⁾	575	-
Total	4,137	898

⁽¹⁾ Mainly relates to the fair value of the shares issues to employees under the Exempt Employee Share Scheme

21. REMUNERATION OF AUDITORS

	Federation Limited and its Controlled Entities	
	30.06.13	30.06.12
	\$	\$
During the year, the following fees were paid or payable for services provided by the auditors of the Group or its related practices.		
Assurance services		
(a) Audit services		
Ernst & Young Australian firm:		
– Audit and review of financial reports and other audit work under the <i>Corporations Act 2001</i>	1,722,115	1,312,377
Moore Stephens Australian firm:		
– Audit and review of financial reports and other audit work under the <i>Corporations Act 2001</i>	-	305,500
Total remuneration for audit services	1,722,115	1,617,877
(b) Other assurance services		
Ernst & Young Australian firm	275,665	500,000
Total remuneration for other assurance services	275,665	500,000
Total remuneration for assurance services	1,997,780	2,117,877
(c) Taxation services		
Ernst & Young Australian firm:		
– Taxation compliance services, including review of company income tax returns	185,000	260,000
Moore Stephens Australian firm:		
– Taxation compliance services, including review of company income tax returns	55,245	42,300
Total remuneration for taxation services	240,245	302,300

22. FINANCIAL RISK MANAGEMENT

This note details the requirements of AASB 7 *Financial Instrument Disclosures*, which mandates disclosures regarding only financial assets and financial liabilities. As a result, these disclosures, in particular the sensitivity analysis, do not take into account movements in non-financial assets such as investment property and investments accounted for using the equity method.

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as interest rate swaps to manage its exposures to interest rate risk, whenever possible.

22. FINANCIAL RISK MANAGEMENT (continued)

Risk management is carried out by a central treasury department (Group Treasury) under policies approved by the Board and subject to periodic review. Group Treasury identifies, evaluates and manages financial risks in close co-operation with the Group's operating units. Group Treasury reports to the Board at least quarterly on the Group's derivative and debt positions and compliance with policy.

The Group holds the following financial instruments:

		Federation Limited and its Controlled Entities	
	Notes	30.06.13 \$'000	30.06.12 \$'000
Financial assets			
Cash and cash equivalents		93,317	200,478
Trade and other receivables	8	206,800	130,984
Financial assets carried at fair value through profit or loss (FVTPL)	9(c)	123,104	270,546
Derivative financial instruments	13	3,931	551
		427,152	602,559
Financial liabilities			
Trade and other payables	11	203,360	165,926
Derivative financial instruments	13	5,591	8,831
Interest bearing liabilities	14	1,481,350	1,378,773
Puttable interests in consolidated finite life trusts		112,292	106,561
		1,802,593	1,660,091

(a) Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, unit prices and interest rates, will affect future cash flows or the fair value of financial instruments.

(i) Price risk

The Group is exposed to price risk arising from investments held by the Group in managed funds and classified on the Balance Sheet as financial assets carried at fair value through profit or loss.

The Group's exposure to price risk at the balance date was as follows:

	Federation Limited and its Controlled Entities	
	30.06.13 \$'000	30.06.12 \$'000
Financial assets carried at fair value through profit or loss	123,104	270,546

The table below summarises the impact of increase/decrease in the unit prices of its investments on post-tax profit or loss for the year and on equity (excluding retained earnings) if unit prices had decreased/increased by -10%/+10% (2012: -10%/+10%).

Management considers these sensitivities are reasonable having regard to historic movements in the unit price of its investments. The sensitivities have been reassessed by management during the financial year in light of the current economic environment, however should be used with caution as they do not represent a prediction.

22. FINANCIAL RISK MANAGEMENT (continued)**(a) Market Risk (continued)****(i) Price risk (continued)****Federation Limited and its Controlled Entities**

	30.06.13		30.06.12	
	-10%	+10%	-10%	+10%
	\$'000	\$'000	\$'000	\$'000
Impact on post-tax profit or (loss):				
Financial assets carried at fair value through profit or loss	(12,310)	12,310	(27,055)	27,055

Other than the impact of net profit/ (loss) on accumulated losses of the Group, there would be no other impact on equity.

(ii) Cash flow Interest rate risk

The Group's interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk and borrowings issued at fixed rates that are measured at fair value expose the Group to fair value interest rate risk. Group policy is to manage cash flow interest rate risk by fixing rates on variable rate debt.

The Group's ability to adhere to this policy is subject to credit limits being available to enter into derivative contracts.

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

The sensitivity to interest rate risk of the groups floating rate assets and liabilities is illustrated in Note 14(g).

(iii) Fair value interest rate risk

As at the balance date, the Group had the following instruments whose fair value is exposed to interest rate risk:

	Federation Limited and its Controlled Entities	
	30.06.13	30.06.12
	\$'000	\$'000
Derivative assets	3,931	551
Derivative liabilities	(5,591)	(8,831)
Net derivative liabilities	(1,660)	(8,280)

22. FINANCIAL RISK MANAGEMENT (continued)**(a) Market Risk (continued)****(iii) Fair value interest rate risk (continued)**

While interest rates can move up or down, having regard to the forward interest rate curve for BBSY Bid 30 June 2013, the tables below disclose the impact that a 25 basis point (bps) (i.e. +0.25%/-0.25%) shift upwards in interest rates would have on the Group's post-tax profits and equity (excluding retained profits). The sensitivities have been reassessed by management during the financial year in light of the current interest rate curve. This should not be considered a projection.

Federation Limited and its Controlled Entities

	30.06.13		30.06.12	
	+25 bps	-25 bps	+25 bps	-25 bps
	Post-tax profit or (loss)	Post-tax profit or (loss)	Post-tax profit or (loss)	Post-tax profit or (loss)
	\$'000	\$'000	\$'000	\$'000
Derivative assets	4,352	(4,421)	(27)	27
Derivative liabilities	3,211	(2,866)	6,021	(6,073)
Total increase / (decrease)	7,563	(7,287)	5,994	(6,046)

(iv) Foreign exchange risk

The group is not exposed to foreign exchange risk for the year ended 30 June 2013.

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. These counterparties include, but are not limited to; FDC managed investment schemes, banks and tenants.

Procedures have been established to ensure that the Group deals only with approved counterparties 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 which are legally enforceable. The maximum exposure to credit risk at the balance date is the carrying amount of the Group's financial assets. Refer to Note 8(a) for details of financial assets that have been impaired.

22. FINANCIAL RISK MANAGEMENT (continued)**(c) Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses. Inherent in this process, is the Group's objective to secure borrowing facilities with maturities that match the Group's liquidity needs, including the maintenance of some borrowing facilities undrawn at 30 June 2013.

(i) Financing arrangements

The financing arrangements of the Group are disclosed in Note 14(a).

(ii) Contractual maturities of financial liabilities

The tables below analyses the Group's financial liabilities including net and gross settled derivative financial instruments and borrowings, by their relevant maturity groupings based on the time remaining to contractual maturity from the balance date. The amounts disclosed in the table are the contractual undiscounted cash flows. For interest rate swap contracts and variable debt the cash flows have been estimated using forward interest rates.

Federation Limited and its Controlled Entities							
	Less than 6 months	6 to 12 months	1 to 2 years	2 to 5 years	Greater than 5 years	Total contractual cash flows	Carrying amount
30 June 2013	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Derivative financial liabilities (net (inflow)/outflow)	1,789	2,508	1,766	(299)	-	5,764	5,591
Trade and other payables	203,360	-	-	-	-	203,360	203,360
Borrowings – variable rate	340,747	18,611	122,098	992,571	-	1,474,027	1,319,683
Borrowings – fixed rate	62,111	3,955	112,034	-	-	178,100	161,667
Puttable interests in consolidated finite life trusts	32,781	12,850	27,346	39,315	-	112,292	112,292
	640,788	37,924	263,244	1,031,587	-	1,973,543	1,802,593

Federation Limited and its Controlled Entities							
	Less than 6 months	6 to 12 months	1 to 2 years	2 to 5 years	Greater than 5 years	Total contractual cash flows	Carrying amount
30 June 2012	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Derivative financial liabilities (net (inflow)/outflow)	3,524	2,190	2,526	(3,110)	-	5,130	8,831
Trade and other payables	165,926	-	-	-	-	165,926	165,926
Borrowings – variable rate	89,750	99,087	378,797	557,060	-	1,124,694	1,019,587
Borrowings – fixed rate	11,855	14,582	304,791	89,393	-	420,621	371,300
Puttable interests in consolidated finite life trusts	-	-	53,282	28,963	24,316	106,561	106,561
	271,055	115,859	739,396	672,306	24,316	1,822,932	1,672,205

22. FINANCIAL RISK MANAGEMENT (continued)

(d) Fair value

Under AASB 7 entities classify the fair value measurements of their financial assets and liabilities based on how observable the inputs to the fair value measurement are. The Group uses various methods in estimating the fair value of a financial instrument. The methods used comprise the following inputs:

Level 1 – quoted prices in active markets;

Level 2 – inputs other than quoted prices in active markets that are observable, either directly or indirectly, for the asset or liability; or

Level 3 – inputs that are not based on observable market data (unobservable inputs).

The classification of the Group's financial assets and liabilities are summarised below:

	Federation Limited and its Controlled Entities		
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
30 June 2013			
Financial assets			
Financial assets carried at fair value through profit or loss (FVTPL)	-	-	123,104
Derivative financial instruments	-	3,931	-
		3,931	123,104
Financial liabilities			
Derivative financial instruments	-	5,591	-
	-	5,591	-

	Federation Limited and its Controlled Entities		
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
30 June 2012			
Financial assets			
Financial assets carried at fair value through profit or loss (FVTPL)	-	-	270 546
Derivative financial instruments	-	551	-
		551	270 546
Financial liabilities			
Derivative financial instruments	-	8,831	-
	-	8,831	-

The Group's derivative financial instruments are not traded in active markets, hence they are considered to include Level 2 inputs. Fair values are estimated using valuation techniques, including use of recent arm's length market transactions, reference to current fair value of another instrument that is substantially the same or discounted cash flow techniques.

There were no transfers between Level 1, Level 2 and Level 3 fair value measurements during the current financial year.

22. FINANCIAL RISK MANAGEMENT (continued)

(d) Fair value (continued)

Reconciliation of Level 3 fair value movements

The following table shows a reconciliation of the movement in the fair value of financial instruments categorised within Level 3 as shown above:

		Federation Limited and its Controlled Entities	
		30.06.13	30.06.12
	Note	\$'000	\$'000
Financial assets carried at FVTPL			
Opening balance at the beginning of the year		270,546	-
Arising on Aggregation		-	304,525
Losses recognised in profit or loss		(4,250)	(351)
Disposals		(739)	(3,245)
Return of capital		(35,206)	(19,846)
Obtained control during the year and now consolidated		(107,247)	(10,537)
Transferred to equity		-	-
Closing balance		123,104	270,546

The following table shows the sensitivity of the fair value of Level 3 financial instruments to changes in key assumptions:

	Federation Limited and its Controlled Entities		
	Effect of reasonably possible alternative assumptions		
30 June 2013	Carrying amount \$'000	+	-
		\$'000	\$'000
Financial assets			
Financial assets carried at FVTPL ⁽¹⁾	123,104	(3,193)	3,388

⁽¹⁾ The sensitivity has been calculated by changing the capitalisation rates of the underlying property investments by 25bps.

22. FINANCIAL RISK MANAGEMENT (continued)

(d) Fair value (continued)

The following table shows the sensitivity of the fair value of Level 3 financial instruments to changes in key assumptions:

	Federation Limited and its Controlled Entities		
	Effect of reasonably possible alternative assumptions		
	Carrying amount	+	-
30 June 2012	\$'000	\$'000	\$'000
Financial assets			
Financial assets carried at FVTPL ⁽¹⁾	270,546	(13,116)	14,002

⁽¹⁾ The sensitivity has been calculated by changing the capitalisation rates of the underlying property investments by 25bps.

A comparison of the fair value of financial assets and financial liabilities of the Group with the carrying values as at 30 June 2013 is shown below:

		Federation Limited and its Controlled Entities			
		Carrying value	Fair value	Carrying value	Fair value
		30.06.13	30.06.13	30.06.12	30.06.12
Notes		\$'000	\$'000	\$'000	\$'000
Financial assets					
Cash and cash equivalents		93,317	93,317	200,478	200,478
Trade and other receivables	8	206,800	206,800	130,984	130,984
Financial assets carried at fair value through profit or loss (FVTPL)	9(c)	123,104	123,104	270,546	270,546
Derivative financial instruments	13	3,931	3,931	551	551
		427,152	427,152	602,559	602,559
Financial liabilities					
Trade and other payables	11	203,360	203,360	165,926	165,926
Interest bearing liabilities ⁽¹⁾	14	1,481,350	1,499,001	1,378,773	1,386,346
Derivative financial instruments	13	5,591	5,591	8,831	8,831
Puttable interests in consolidated finite life trusts		112,292	109,261	106,561	105,139
		1,802,593	1,817,213	1,660,091	1,666,242

⁽¹⁾ The difference between the carrying amount and the fair value of debt arises from the fixed rate debt in the portfolio.

23. ACQUISITION OF SYNDICATES

2013

(a) Summary of acquisitions

Retail Direct Property 18

On 31 August 2012, as part of the rollover process of Retail Direct Property 18⁽¹⁾ and Retail Direct Property 18 Unit Trust⁽¹⁾ (collectively RDP 18), FDC acquired 243,400 units in Retail Direct Property 18 and 2,820,000 units in RDP 18 Unit Trust from unitholders who elected to exit the syndicate. The acquisition of units by FDC in conjunction with the partial redemption of units by RDP 18 increased FDC's total ownership in Retail Direct Property 18 from 17.53% to 61.07% and ownership in Retail Direct Property Unit Trust 18 from 29.19% to 67.84%. This resulted in FDC obtaining control of RDP 18 with effect from 31 August 2012. As a result, FDC now consolidates the results of RDP 18 from 31 August 2012.

Prior to the acquisition, FDC accounted for its interest in RDP 18 at fair value through profit or loss. RDP 18 contributed consolidated revenue of \$4.6 million and contributed \$2.2 million to net profit during the year since acquisition. If the acquisition had taken place at the beginning of the year the contribution to consolidated revenue would have been \$5.5 million and the contribution to net profit would have been \$2.4 million.

Centro MCS 28

On 28 September 2012, as part of the rollover process of Centro MCS 28 (CMCS 28), FDC issued a Call Option Notice electing to "call" (or buy) all Syndicate Investors' Units in accordance with its right under the Syndicate Flexible Exit Mechanism (FEM) provisions. On 5 October 2012, FDC acquired 66,102,793 units in CMCS 28 from its unitholders under the FEM provisions. FDC's ownership in CMCS 28 increased from 30.39% to 100%, which resulted in FDC obtaining control of CMCS 28 with effect from 5 October 2012. As a result, FDC now consolidates the results of CMCS 28 from 5 October 2012.

CMCS 28 contributed consolidated revenue of \$36.9 million and contributed \$6.3 million to net profit during the year since acquisition. If the acquisition had taken place at the beginning of the year the contribution to consolidated revenue would have been \$50.7 million and the contribution to net profit would have been \$7.3 million.

Centro MCS 33

On 17 December 2012, as part of the rollover process of Centro MCS 33 Trust 1 and Centro MCS 33 Trust 2 (collectively CMCS 33), FDC issued a Call Option Notice electing to "call" (or buy) all Syndicate Investors' Units in accordance with its right under the Syndicate FEM provisions. On 17 December 2012, FDC acquired 53,172,785 units in CMCS 33 from its unitholders under FEM provisions. FDC's ownership in CMCS 33 increased from 40.81% to 100%, which resulted in FDC obtaining control of CMCS 33 with effect from 17 December 2012. As a result, FDC now consolidates the results of CMCS 33 from 17 December 2012.

CMCS 33 contributed consolidated revenue of \$10.1 million and contributed \$2.6 million to net profit during the year since acquisition. If the acquisition had taken place at the beginning of the year the contribution to consolidated revenue would have been \$21.8 million and the contribution to net profit would have been \$6.9 million.

⁽¹⁾ Retail Direct Property 18 and Retail Direct Property 18 Unit Trust were previously Centro MCS Syndicate 18 and Centro MCS Syndicate 18 Unit Trust respectively.

23. ACQUISITION OF SYNDICATES (continued)**(b) Details of the fair value of assets and liabilities acquired of RDP 18, CMCS 28 and CMCS 33 are as follows:**

	Federation Limited and its Controlled Entities			
	RDP 18	CMCS 28	CMCS 33	Total
	\$'000	\$'000	\$'000	\$'000
Cash paid	3,410	62,820	40,182	106,412
Fair value through profit or loss balance given up	8,510	64,028	34,709	107,247
Total purchase consideration	11,920	126,848	74,891	213,659
Fair value of net identifiable assets acquired attributable to securityholders of FDC (refer (d) below)	11,920	126,848	75,381	214,149
Discount on acquisition	-	-	(490)	(490)

The discount on acquisition arose from the difference between the fair value of the assets given up carried at net asset backing (NAB) which is less than the fair value of the net assets acquired.

(c) Purchase consideration

	Federation Limited and its Controlled Entities			
	RDP 18	CMCS 28	CMCS 33	Total
	\$'000	\$'000	\$'000	\$'000
The cash inflow on acquisition is as follows:				
Cash consideration paid	(3,410)	(62,820)	(40,182)	(106,412)
Cash balance acquired	3,783	7,127	2,161	13,071
Cash balance from equity accounted investments now consolidated	-	3,676	637	4,313
Net cash inflow/(outflow)	373	(52,017)	(37,384)	(89,028)

23. ACQUISITION OF SYNDICATES (continued)**(d) Assets and liabilities acquired**

The assets and liabilities arising from the acquisition are as follows:

Federation Limited and its Controlled Entities								
	RDP 18		CMCS 28		CMCS 33		Total	
	Carrying value \$'000	Fair value \$'000	Carrying value \$'000	Fair value \$'000	Carrying value \$'000	Fair value \$'000	Carrying value \$'000	Fair value \$'000
Current assets								
Cash and cash equivalents	3,783	3,783	7,127	7,127	2,161	2,161	13,071	13,071
Receivables	753	753	985	985	1,380	1,380	3,118	3,118
Total current assets	4,536	4,536	8,112	8,112	3,541	3,541	16,189	16,189
Non-current assets								
Investment property	45,869	45,869	-	-	117,000	117,000	162,869	162,869
Investment accounted for using the equity method	-	-	285,180	286,891	26,000	26,000	311,180	312,891
Total non-current assets	45,869	45,869	285,180	286,891	143,000	143,000	474,049	475,760
Total assets	50,405	50,405	293,292	295,003	146,541	146,541	490,238	491,949
Current liabilities								
Payables	585	585	1,973	1,973	1,738	1,738	4,296	4,296
Provisions	1,727	1,727	4,700	4,700	-	-	6,427	6,427
Interest bearing liabilities	24,353	24,353	-	-	69,422	69,422	93,775	93,775
Total current liabilities	26,665	26,665	6,673	6,673	71,160	71,160	104,498	104,498
Non-current liabilities								
Interest bearing liabilities	-	-	156,389	161,482	-	-	156,389	161,482
Total non-current liabilities	-	-	156,389	161,482	-	-	156,389	161,482
Total liabilities	26,665	26,665	163,062	168,155	71,160	71,160	260,887	265,980
Net assets	23,740	23,740	130,230	126,848	75,381	75,381	229,351	225,969
Less fair value of net assets attributable to external non-controlling interests acquired		(11,820)		-		-		(11,820)
Net assets related to securityholders of FDC acquired		11,920		126,848		75,381		214,149

2012

On 31 January 2012, as part of the rollover process of Retail Direct Property 6 (RDP 6), FDC acquired 17.4 million units from securityholders who elected to exit the syndicate, for cash consideration of \$27.7 million. This acquisition increased FDC's total ownership in RDP 6 from 16.4% to 61.06%, which resulted in FDC obtaining control of RDP 6 with effect from 31 January 2012. By obtaining control, FDC is required to consolidate the results of FDC 6 from 31 January 2012. A \$0.8 million discount on acquisition arose from the transaction. There were no adjustments recognised in current year on the acquisition of RDP 6.

24. CONTINGENT LIABILITIES

(a) Guarantees

Bank guarantees totalling \$10 million have been arranged by the Group to guarantee obligations under Australian Financial Services Licences and Responsible Entity requirements.

Bank guarantees totalling \$4.4 million have been arranged by the Group to guarantee obligations relating to the corporate office leased at 35 Collins Street, Melbourne Victoria and state office of NSW.

(b) Other contingent liabilities

The Victorian and Western Australian State Revenue Offices are investigating or have made assessments in relation to the acquisition of certain property interests and the establishment of certain funds. The total value of these assessments and investigations, including duty, penalties and interest, is estimated at \$97 million. An appropriate provision has been included in the Balance Sheet.

(c) Contingent commitments

FDC is a co-investor in some of its managed funds. In recognition of the potential liquidity requirements of co-investors in its unlisted managed funds, FDC has provided exit mechanisms to investors at the then net asset backing of the relevant fund.

Retail Direct Property Syndicates managed by FDC have fixed investment periods. The constitutions of certain syndicates provide investors in those syndicates with a Flexible Exit Mechanism (FEM). Towards the end of the investment period, the constitutions provide that the FEM must be triggered or the Responsible Entity may choose to terminate the syndicate if in the best interest of investors.

This FEM entitles investors to put (sell) their units in the syndicate to FDC at the then net asset value. In the 12 months to 30 June 2014, FDC may be obligated to acquire up to \$38.7 million of externally owned units in syndicates (based on 30 June 2013 net asset backing). This excludes \$54.1 million related to acquisitions under the FEM of RDP 10, RDP 27 and RDP 37 that have been disclosed in Note 29.

25. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Key Management Personnel compensation

	Federation Limited and its Controlled Entities	
	30.06.13 \$'000	30.06.12 \$'000
Short-term employee benefits	9,964	6,433
Post-employment benefits	233	217
Other long-term employee benefits	250	766
Termination benefits	872	1,069
Share-based payments	2,567	599
	13,886	9,084

25. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)**(b) Equity holdings of Key Management Personnel**

The numbers of securities in the Group held during the financial year by each Director and other Key Management Personnel of the Group, including their personally-related entities, are set out below:

Year Ended 30 June 2013

Name	Balance at the start of the year	Received during the year on exercise of options	Other changes during the year	Balance at the end of the year
Directors of the Group				
Current Directors				
Bob Edgar	50,000	-	-	50,000
Steven Sewell	-	-	-	-
Clive Appleton	11,850	-	-	11,850
Peter Day	33,621	-	20,000	53,621
Tim Hammon	10,000	-	-	10,000
Charles Macek	50,000	-	-	50,000
Fraser MacKenzie	58,921	-	33,966	92,887
Debra Stirling	10,000	-	-	10,000
	224,392	-	53,966	278,358
Executive Key Management Personnel of the Group				
Former KMP ⁽¹⁾				
Michael Benett	20,000	-	-	n/a
	20,000	-	-	-

⁽¹⁾ Mr Benett was KMP of FDC up until 30 September 2012.

25. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

(b) Equity holdings of Key Management Personnel (continued)

Year Ended 30 June 2012

Name	Balance at the start of the year ⁽¹⁾	Received during the year on exercise of options	Other changes during the year	Balance at the end of the year
Directors of the Group				
Current Directors				
Bob Edgar	-	-	50,000	50,000
Steven Sewell	-	-	-	-
Clive Appleton	-	-	11,850	11,850
Peter Day	100,000	-	⁽²⁾ (66,379)	33,621
Tim Hammon	-	-	10,000	10,000
Charles Macek	-	-	50,000	50,000
Fraser MacKenzie	100,000	-	⁽³⁾ (41,079)	58,921
Debra Stirling	-	-	10,000	10,000
	200,000	-	24,392	224,392
Former Directors ⁽⁴⁾				
Bill Bowness	300,000	-	n/a	n/a
Anna Buduls	-	-	n/a	n/a
Paul Cooper	-	-	n/a	n/a
Michael Humphris	70,000	-	n/a	n/a
	370,000	-	n/a	n/a
Executive Key Management Personnel of the Group				
Current KMP				
Michael Benett	-	-	20,000	20,000
	-	-	20,000	20,000

⁽¹⁾ Represents CER securities held at the beginning of the year prior to the Aggregation of FDC.

⁽²⁾ Other changes during the year comprise the conversion of 100,000 CER securities held at the beginning of the year prior to Aggregation to 18,921 FDC securities on Aggregation and the acquisition of an additional 14,700 FDC securities.

⁽³⁾ Other changes during the year comprise the conversion of 100,000 CER securities held at the beginning of the year prior to Aggregation to 18,921 FDC securities on Aggregation and the acquisition of an additional 40,000 FDC securities.

⁽⁴⁾ Ms Buduls, Mr Bowness, Mr Cooper, and Mr Humphris were directors of Centro Retail Limited, which was renamed FL on 22 January 2013, from 1 July 2011 to 14 December 2011.

n/a Information is not disclosed as no longer a Director at 30 June 2012

25. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)**(c) Performance rights holdings of Key Management Personnel**

The numbers of performance rights in the Group held during the financial year by each Director and other Key Management Personnel of the Group, including their personally-related entities, are set out below:

Year Ended 30 June 2013**Performance rights**

	Balance at the start of the year	Granted during the period as compensation	Forfeited during the period	Balance at the end of the year
Current KMP				
Steven Sewell	840,467	808,989	-	1,649,456
Colleen Harris	-	168,540	-	168,540
Tom Honan ⁽¹⁾	-	-	-	-
Dimitri Kiriacoulacos	227,823	275,094	-	502,917
Kerrie Lavey	-	144,195	-	144,195
Jonathan Timms	-	389,514	-	389,514
Mark Wilson	451,613	419,476	-	871,089
	1,519,903	2,205,808	-	3,725,711
Former KMP				
Marlon Teperson ⁽²⁾	-	419,476	-	419,476
Gerard Condon ⁽²⁾	262,097	-	-	262,097
Michael Benett ⁽²⁾	235,888	-	(137,617)	98,271
	497,985	419,476	(137,617)	779,844

⁽¹⁾ Commenced as Chief Financial Officer on 15 May 2013.

⁽²⁾ Mr Teperson, Mr Condon and Mr Benett were KMP of FDC up until 15 May 2013, 14 December 2012 and 30 September 2012 respectively.

Year Ended 30 June 2012**Performance rights**

	Balance at the start of	Granted during the	Forfeited during the	Balance at the end of
Steven Sewell	-	840,467	-	840,467
Marlon Teperson	-	-	-	-
Mark Wilson	-	451,613	-	451,613
Dimitri Kiriacoulacos	-	227,823	-	227,823
Gerard Condon	-	262,097	-	262,097
Michael Benett	-	235,888	-	235,888
	-	2,017,888	-	2,017,888

(d) Other transactions with Key Management Personnel

There were no other transactions with Key Management Personnel that were not conducted on a normal arm's length basis. All transactions with Key Management Personnel require approval by the Board. The Group has established a policy that requires all 'non-standard' transactions to be subject to prior approval by the Board, with legal advice being sought as necessary.

26. RELATED PARTY DISCLOSURES**(a) Parent entity**

For accounting purposes, as discussed in Note 1(c), the parent entity of the Group is Federation Limited.

(b) Domicile

The Company is domiciled and incorporated in Australia.

(c) Subsidiaries and associated entities

Ownership interests in significant controlled entities are set out in Section (f).

Ownership interests in significant associates accounted for using the equity method of accounting are set out in Section (g).

(d) Key Management Personnel

Disclosures relating to Key Management Personnel are set out in Note 25.

(e) Information on related party transactions and balances**(i) Related party loans and interest bearing borrowings**

Loan receivable and interest bearing borrowings from related parties are disclosed in the table below:

	30.06.13 \$'000	30.06.12 \$'000
Related party loans		
Retail Direct Property 4	18,758	18,758
Retail Direct Property 9	-	14,305
Retail Direct Property 16	-	15,231
Retail Direct Property 21	2,480	2,480
Retail Direct Property 34	-	7,737
Centro Bankstown Sub Trust No. 1 ⁽¹⁾	-	900
Tuggeranong Hyperdome	113,800	-
	135,038	59,411
Related party interest bearing liabilities		
Roselands	-	73,500
Lutwyche	-	14,500
	-	88,000

⁽¹⁾ Acquired on 28 September 2012 through acquisition of Centro MCS Syndicate 28.

(ii) Related party receivables

Trade receivables from related parties are disclosed in the table following in section (iii).

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.

26. RELATED PARTY DISCLOSURES (continued)**(iii) Related party revenue**

The Group has earned fees from related parties as set out in the table below.

30 June 2013	Property management \$'000	Development and leasing \$'000	Funds management \$'000	Total \$'000	Amount included in receivables \$'000
Retail Direct Property 3 ⁽¹⁾	447	(92)	-	355	-
Retail Direct Property 4	381	121	784	1,286	18,999
Retail Direct Property 5	282	82	622	986	268
Retail Direct Property 6 ⁽¹⁾	499	-	966	1,465	-
Retail Direct Property 9	303	75	4,221	4,599	94
Retail Direct Property 10	261	56	585	902	310
Retail Direct Property 11	396	113	1,014	1,523	-
Retail Direct Property 12 ⁽¹⁾	204	-	501	705	-
Retail Direct Property 14	291	36	513	840	817
Retail Direct Property 15	154	26	322	502	191
Retail Direct Property 16	267	5	258	530	-
Retail Direct Property 17	-	(19)	-	(19)	-
Retail Direct Property 18	177	-	414	591	-
Retail Direct Property 19	224	39	490	753	183
Retail Direct Property 20	35	-	1,088	1,123	-
Retail Direct Property 21	88	-	2,088	2,176	3,144
Retail Direct Property 22	4	-	8	12	-
Retail Direct Property 23	68	100	123	291	2
Retail Direct Property 25 ⁽¹⁾	228	-	996	1,224	-
Retail Direct Property 26 ⁽¹⁾	982	-	996	1,978	-
Retail Direct Property 27 ⁽¹⁾	515	-	3,808	4,323	-
Centro MCS 28	-	-	3,740	3,740	-
Retail Direct Property 30 ⁽¹⁾	72	(11)	60	121	-
Centro MCS 33	784	171	470	1,425	-
Retail Direct Property 34	268	-	-	268	406
Retail Direct Property 37 ⁽¹⁾	352	-	2,761	3,113	-
Centro MCS Syndicate Investment Trust	766	-	-	766	38
Lutwyche Holding Trust	96	-	-	96	-
Bankstown Partnership	275	-	-	275	-
Victoria Gardens	767	-	-	767	2,065
Roselands	1,499	-	-	1,499	-
Emerald Village	244	-	-	244	33
Other related parties	320	164	223	707	1,903
Total	11,249	866	27,051	39,166	28,453

⁽¹⁾ The entities are controlled by the Group and therefore are consolidated. As such, the transactions with these related parties and related party balances are eliminated on consolidation.

26. RELATED PARTY DISCLOSURES (continued)**(iv) Related party derivatives**

The Group acts as counterparty to derivatives held by a related party as detailed below. These transactions are undertaken on an arm's length basis.

	Fair value of derivatives	
	30.06.13 \$000	30.06.12 \$000
Retail Direct Property 10	-	551

(f) Ownership interests in significant controlled entities

	Group entity interest	
	30.06.13 %	30.06.12 %
Retail Direct Property 6	61.06	61.06
Retail Direct Property 12	58.09	58.09
Retail Direct Property 12 Unit Trust	49.84	49.84
Retail Direct Property 18	61.07	-
Retail Direct Property 18 Unit Trust	67.84	-
Retail Direct Property 25	68.60	68.60
Retail Direct Property 26	86.31	86.31
Retail Direct Property 27 Investment Trust	60.01	60.01
Retail Direct Property 27 Property Trust	79.70	79.70
Retail Direct Property 30	57.08	57.08
Retail Direct Property 37	55.73	54.22
Centro MCS Syndicate Investment Funds	100.00	100.00
Federation Centres Limited	100.00	100.00
Retail Responsible Entity Limited	100.00	100.00
Centro MCS Manager Limited	100.00	100.00
Centro Corporate Services Pty Ltd	100.00	100.00
CPT Custodian Pty Ltd	100.00	100.00

26. RELATED PARTY DISCLOSURES (continued)

(g) Ownership interests in significant financial assets carried at fair value through profit or loss

	Group entity interest		Carrying amount		Share of net profit	
	30.06.13 %	30.06.12 %	30.06.13 \$'000	30.06.12 \$'000	30.06.13 \$'000	30.06.12 \$'000
Retail Direct Property 4	36.22	36.22	8,268	11,376	(3,110)	491
Retail Direct Property 5	35.64	35.64	13,450	12,977	478	77
Retail Direct Property 10	25.54	25.54	7,138	6,640	508	(664)
Retail Direct Property 14	32.39	32.39	13,532	12,645	887	333
Retail Direct Property 15	36.13	40.08	6,912	7,903	(212)	(118)
Retail Direct Property 18 ⁽¹⁾	n/a	24.12	n/a	8,647	n/a	78
Retail Direct Property 21	49.96	49.96	47,373	48,188	(879)	1,744
Retail Direct Property 22	-	34.15	-	6,579	(296)	304
Retail Direct Property 23	40.93	40.93	172	4,477	(2,156)	(345)
Centro MCS 28 ⁽¹⁾	n/a	30.40	n/a	63,008	n/a	289
Centro MCS 33 ⁽¹⁾	n/a	40.40	n/a	32,701	n/a	(921)
Retail Direct Property 34	48.78	48.78	16,525	20,917	(2,301)	-
			113,370	236,058	(7,081)	1,268

⁽¹⁾ The Group obtained control of Retail Direct Property 18, Centro MCS 28 and Centro MCS 33 on 31 August 2012, 5 October 2012 and 17 December 2012 respectively. As a result, this entity is now consolidated.

(h) Summarised financial information of associates

	Federation Limited and its Controlled Entities	
	30.06.13 \$'000	30.06.12 \$'000
Share of associates' contingent liabilities	-	1,521
Share of associates' expenditure commitments	-	-
Summary of the performance and financial position of associates accounted for using equity accounting method:		
Aggregate revenue	120,267	94,846
Aggregate net profits after income tax	41,528	50,600
Assets	759,951	1,670,714
Liabilities	(378,482)	(488,914)

27. COMMITMENTS

	Federation Limited and its Controlled Entities	
	30.06.13 \$'000	30.06.12 \$'000
Capital expenditure contracted for at the reporting date but not recognised as liabilities as follows:		
- Dianella acquisition	-	56,800
Capital expenditure:		
- Capital expenditure projects ⁽¹⁾	9,643	38,017

⁽¹⁾ Includes Centro Development Management Pty Ltd, a wholly-owned entity of Federation Centres, which has undertaken to act as agent on behalf of FDC managed vehicles. FDC will initially incur the capital expenditure, but expects to recoup 100% of these costs from the FDC managed vehicles.

28. OPERATING LEASES

	Federation Limited and its Controlled Entities	
	30.06.13 \$'000	30.06.12 \$'000
The property of the Group is leased to third party tenants under operating leases at balance date. Lease terms vary between tenants and some leases include percentage rent payments.		
Future minimum rental revenues under non-cancellable operating leases at balance date are as follows:		
Receivable:		
- Within one year	348,319	318,748
- Later than one year but not later than five years	917,722	857,537
- Later than five years	583,061	499,124
	1,849,102	1,675,409

These amounts do not include percentage rentals which depend upon retail sales performance, and recovery of outgoings.

29. EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

(a) Acquisition of externally held units in syndicates

(i) Retail Direct Property 10

On 24 July 2013, FDC acquired all the units held by external unitholders in Retail Direct Property 10 and Retail Direct Property 10 Unit Trust (collectively RDP10). The total cash consideration paid was \$20.8 million. As a result of the acquisition of all the external units, FDC now consolidates RDP 10 from the acquisition date. RDP 10 owns Maitland Hunter Mall and 50% of Lennox both of which are located in NSW.

Details of the estimated fair value of assets and liabilities acquired in RDP 10 acquired after reporting date are as follows

	\$'000
Cash paid	20,827
Fair value through profit or loss balance given up	7,220
Total purchase consideration	28,047

The assets and liabilities arising from the acquisition in RDP 10 after reporting date are as follows:

	Federation Limited and its Controlled Entities	
Estimate of assets and liabilities acquired	Carrying value \$'000	Fair value \$'000
Assets		
Cash and cash equivalents	4,865	4,865
Receivables	368	368
Investment property	36,449	36,449
Total assets	41,682	41,682
Liabilities		
Interest bearing liabilities	12,700	12,700
Other liabilities	935	935
Total liabilities	13,635	13,635
Net assets acquired by FDC	28,047	28,047

The total estimated acquisition related costs were approximately \$1.5 million, which mainly comprised legal fees and stamp duty. As the acquisition occurred on 24 July 2013, there were no amounts included in revenue or profit or loss during the year ended 30 June 2013. There is no goodwill or discount on acquisition expected on settlement.

(ii) Retail Direct Property 27

On 24 July 2013 FDC also acquired the remaining externally held units in Retail Direct Property 27(RDP 27), a vehicle already consolidated by the Group. The total cash consideration paid was \$13.3 million. As a result of the acquisition of all the external units in RDP 27, FDC's ownership in RDP 27 increased from 62% to 100%. RDP 27 owns 50% of Sunshine Market place which is located in VIC.

The total estimated acquisition related costs were approximately \$1.2 million, which mainly comprised legal fees and stamp duty. As the acquisition occurred on 24 July 2013, there were no amounts included in revenue or profit or loss during the year ended 30 June 2013.

(iii) Retail Direct Property 37

On 16 August 2013, FDC contracted to acquire the remaining externally held units in Retail Direct Property 37 (RDP 37), a vehicle already consolidated by the Group. The total cash consideration paid will be approximately \$20 million. As a result of the acquisition of all the external units in RDP 37, FDC's ownership in RDP 37 will increase from circa 56% to 100%. RDP 37 owns Albury and Monier Village which are located in NSW and QLD respectively. The acquisition of all external units will occur on 22 August 2013.

29. EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD (continued)**(b) Settlement of Challenger and ISPT strategic co-ownership transactions**

On 23 July 2013, the settlement of the remaining assets of the Challenger strategic co-ownership transaction being 50% of Sunshine and 50% of Lennox successfully completed with proceeds generated of \$46.0 and \$23.8 million respectively. These proceeds were used to repay the borrowings of RDP 10 and RDP 27 which owned the assets.

On 31 July 2013, the settlement of the ISPT strategic co-ownership transaction successfully completed generating proceeds of \$371.4 million. The proceeds received were used to retire some of the existing FDC debt facilities.

(c) Return of Capital from Retail Direct Property 21

On 26 July 2013, FDC received a return of capital of \$46.9 million from Retail Direct Property 21 following the disposal of its 50% interest in Roselands Shopping Centre as part of the transaction with Challenger.

Except for the matters discussed above, no other matter or circumstance has arisen in the interval between 30 June 2013 and the date hereof that has significantly affected or may significantly affect:

- (i) the Group's operations in current and future financial years, or
- (ii) the results of those operations in current and future financial years, or
- (iii) the Group's state of affairs in current and future financial years.

Directors' Declaration

In the Directors' opinion:

- (a) the financial statements and notes of Federation Centres (the Group) set out on pages 49 to 120 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001*, the Constitutions of the Trusts and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Group's financial position as at 30 June 2013 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the year ended on that date; and
- (b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.
- (c) The financial statements and notes also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declaration by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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



Bob Edgar

Chairman

Signed in Melbourne, 18 August 2013



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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 sheets as at 30 June 2013, the income statements and statements of comprehensive income, the statements of changes in equity and the cash flow statements 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 (b), 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 2013 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 (b).

Report on the remuneration report

We have audited the Remuneration Report included in pages 19 to 46 of the directors' report for the year ended 30 June 2013. 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 Centres for the year ended 30 June 2013, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

B R Meehan
Partner
Melbourne
18 August 2013

Appendix 4E

Financial Report

Name of entity

Federation Limited (previously Centro Retail Limited) comprising **Federation Centres Trust No. 1** (previously Centro Retail Trust), **Federation Centres Trust No. 2** (previously Centro Australia Wholesale Fund) and **Federation Centres Trust No. 3** (previously Centro DPF Holding Trust).

ABN or equivalent company reference

Half yearly
(tick)

Final
(tick)

Financial year ended ('current period')

Federation Limited 90 114 757 783

☐
☒

30 June 2013
(Previous corresponding period: 30 June 2012)

Results for announcement to the market

	30.06.13 \$'000	30.06.12 ⁽¹⁾ \$'000	% Change
Revenue	546,053	318,299	n/m
Net Profit/(loss) attributable to securityholders of Federation Centres	212,655	(222,897)	n/m
Underlying earnings ⁽²⁾	224,350	123,184	n/m
Please refer to the Review of operations within the Directors' report for commentary on the results.			
Please refer to the Review of operations within the Directors' report for commentary on the results.			
⁽¹⁾ Results shown for the comparative period comprise results and transactions of Federation Limited (the parent) for twelve months and those of Federation Centres Trust No.1, Federation Centres Trust No.2, Federation Centres Trust No.3 and their controlled entities, and the assets and liabilities acquired by Federation Limited pursuant to the Aggregation, for seven month period from 1 December 2011 to 30 June 2012.			
⁽²⁾ Underlying earnings is a financial measure which represents the profit/(loss) under Australian Accounting Standards adjusted for certain unrealised and non-cash items, reserve transfers, capital transactions and other non-core items. The inclusion of underlying earnings as a measure of profitability of Federation Limited provides investors with the same basis that is used internally for evaluating operating segment performance. Underlying earnings is used by the Board to make strategic decisions and as a guide to assessing an appropriate distribution to declare. A reconciliation of Federation Limited's statutory profit/(loss) to underlying earnings is provided in Note 4 Segment Information of Federation Limited's 30 June 2013 full year financial report.			
n/m – not meaningful as explained in Note 1 above			
Dividends (distributions)	Amount per security (distribution from Trust)	Amount per security (dividend from Company)	Record date for determining entitlements to the dividend (in the case of a trust, distribution)
Full year distribution	14.1 cents	-	28 June 2013
Previous corresponding period	6.5 cents	-	29 June 2012

Control gained over entities having material effect

Name of entity (or group of entities)

On 31 August 2012, FDC obtained control of RDP 18.
On 5 October 2012, FDC obtained control of CMCS 28.
On 17 December 2012, FDC obtained control of CMCS 33.

Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) since the date in the current period on which control was acquired

\$11,108,338

Date from which such profit has been calculated

As above

Profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the whole of the previous corresponding period

(\$3,360,452)

Loss of control of entities having material effect

Name of entity (or group of entities)

N/A

Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the current period to the date of loss of control

N/A

Date to which the profit (loss) has been calculated

Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) while controlled during the whole of the previous corresponding period

N/A

Contribution to consolidated profit (loss) from ordinary activities and extraordinary items from sale of interest leading to loss of control

N/A

Dividends (in the case of a trust, distributions)

Date the dividend (distribution) is payable

28 August 2013

Record date to determine entitlements to the dividend (distribution) (i.e., on the basis of proper instruments of transfer received by 5.00 pm if securities are not CHES approved, or security holding balances established by 5.00 pm or such later time permitted by SCH Business Rules if securities are CHES approved)

28 June 2013

If it is a final dividend, has it been declared?

Yes

Amount per security

	Amount per security	Franked amount per security at 30% tax	Amount per security of foreign source dividend
--	---------------------	---	---

Final dividend:**Current year**

Distribution from Trust	7.5¢	-¢	-¢
Dividend from Company	-¢	-¢	-¢
Total distribution	7.5¢	-¢	-¢

Previous year

Distribution from Trust	6.5¢	-¢	-¢
Dividend from Company	-¢	-¢	-¢
Total distribution	6.5¢	-¢	-¢

Interim dividend:**Current year**

Distribution from Trust	6.6¢	-¢	-¢
Dividend from Company	-¢	-¢	-¢
Total distribution	6.6¢	-¢	-¢

Previous year

Distribution from Trust	-¢	-¢	-¢
Dividend from Company	-¢	-¢	-¢
Total distribution	-¢	-¢	-¢

Total dividend (distribution) per security (interim plus final)

Ordinary securities
Preference securities

Current year	Previous year
14.1¢	6.5¢
-¢	-¢

There are no dividend or distribution plans currently in operation.

Details of aggregate share of profits (losses) of associates and joint venture entities**Group's share of associates' and joint venture entities':**

Profit (loss) from ordinary activities before tax

Income tax on ordinary activities

Profit (loss) from ordinary activities after tax

Extraordinary items net of tax

Net profit (loss)

Adjustments

Share of net profit (loss) of associates and joint venture entities

Current year \$A'000	Previous year \$A'000
41,528	50,600
41,528	50,600
-	-
41,258	50,600
-	-
41,528	50,600

Material interests in entities which are not controlled entities

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

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

Name of entity	Percentage of ownership interest held at end of period or date of disposal		Contribution to net profit (loss)	
	Current period	Previous corresponding period	Current period	Previous corresponding period
	%	%	\$A'000	\$A'000
Bankstown ⁽¹⁾	n/a	50%	4,982	17,390
Lutwyche ⁽²⁾	n/a	50%	1,200	(2,543)
Roselands ⁽¹⁾	n/a	50%	9,820	9,993
Tuggeranong Hyperdome	50%	50%	1,032	(3,683)
Victoria Gardens Shopping Centre	50%	50%	4,147	5,481

⁽¹⁾ Proportionately consolidated from 28 June 2012

⁽²⁾ Consolidated from 17 December 2012

Compliance statement

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

(Tick one)

- | | |
|---|--|
| ☒ The accounts have been audited. | ☐ The accounts have been subject to review |
| ☐ The accounts are in the process of being audited or subject to review. | ☐ The accounts have <i>not</i> yet been audited or reviewed |

Sign here:



Date: 18 August 2013

Print name: Bob Edgar (Chairman)