FEDERATION LIMITED

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 Half-Year Ended
31 December 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

Contents

Directors' Report

The Directors of Federation Limited present the half-year financial report of Federation Centres for the half-year ended 31 December 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 FL, FCT 1, FCT 2 and FCT 3 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 3 *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.

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 period were property investment, property management, property development and leasing, and funds management.

Significant matters

(a) Adoption of new accounting standards

From 1 July 2013, FDC adopted AASB 10 *Consolidated Financial Statements* which replaced the control and consolidation rules under AASB 127 *Separate and Consolidated Financial Statements*. The adoption of AASB 10 required FDC to consolidate Retail Direct Property (RDP) syndicates 5, 10, 14 and 15 because FDC legally (under the Corporations Act 2001) controls the Responsible Entity (RE) of these RDP syndicates, even though FDC holds less than the majority of the voting rights in these entities. Under the previous control rules under AASB 127, FDC did not consolidate these RDP syndicates as it did not control the majority of the voting rights in these entities.

FDC is required to adopt AASB 10 retrospectively. Therefore the comparative financial statements for 31 December 2012 and 30 June 2013 have been shown as restated where the previously reported amounts have changed as a result of the adoption of AASB 10. The impact of adopting AASB 10 on the comparative financial statements has been disclosed in Note 2 of the Half-Year Financial Report. The restatements made had no impact on the net assets, net results, underlying earnings or net tangible assets of FDC.

(b) Debt capital market transaction

On 10 December 2013, FDC announced that it had successfully priced an issue of $150 million of fixed rate notes under its secured Australian Medium Term Note programme. The notes will mature on 13 December 2019 and were priced at 170 bps above the Australian dollar swap rate as at 6 December 2013. The settlement of the issue occurred on 13 December 2013.

(c) Acquisition of property

On 12 December 2013, FDC entered into unconditional agreement for the purchase of the Carlingford Court sub-regional shopping centre in Sydney, New South Wales (NSW) for $177 million, in a 50/50 co-ownership arrangement with a major Australian corporate superannuation fund manager. FDC share of the property is $88.5 million. Settlement occurred on 18 December 2013.

(d) Syndicate restructure progressing

FDC continued its strategy to restructure its syndicate business. During the period, FDC acquired the remaining externally held units or properties in the following syndicates:

Date	Syndicate	Cash Paid $m	Properties	FDC Interest	Value $m	Capitalisation Rate
24 July 2013	Retail Direct Property 27	13.3	Sunshine Market (VIC)	50%	46.0	8.00%
24 July 2013	Retail Direct Property 10	20.8	Maitland Hunter Mall (NSW)	100%	12.0	11.00%
			Lennox (VIC)	50%	24.6	8.00%
22 August 2013	Retail Direct Property 37	19.5	Albury (NSW)	100%	55.7	8.00%
			Monier Village (QLD)	100%	12.8	8.00%
31 October 2013	Retail Direct Property 26	12.7	Maddington (WA)	100%	97.1	8.00%
			Indooroopilly (QLD)	100%	46.9	9.00%
			Tweed Supermarket (NSW)	100%	15.0	7.00%
20 December 2013	Retail Direct Property 34 [(1)]	17.6	Emerald Village (QLD)	50%	10.3	10.25%
			Emerald Market (QLD)	50%	7.3	10.00%
Total		**83.9**			**327.7**	

[(1)] FDC acquired the property interests of RDP 34 rather than all the externally held units.

(e) Release of stamp duty provision

During the period, the Victorian State Revenue Office (SRO) withdrew assessments with no stamp duty payable by FDC.

The provision included in FDC's Balance Sheet as at 30 June 2013 was reduced by $64.7 million, being the amount provided against these assessments.

Operating and Financial Review

Property operational review

The FDC portfolio continues to perform in line with expectations, despite the difficult retail trading environment, reflecting the non-discretionary nature of the portfolio, which is well diversified not only by shopping centre type, but also by location and mix of retailers with a focus on food and services.

Comparable direct property investment income growth of 2.2% was achieved for the six-months ended 31 December 2013 and portfolio sales growth was primarily derived from the portfolio's supermarkets and specialty retailers with total annual retail sales growth of 2.1%. The portfolio's specialty occupancy cost ratio was 14.7%, which remains unchanged from 30 June 2013.

Demand for quality retail space has continued with FDC's leasing team maintaining an occupancy level of 99.5% as at 31 December 2013. Lease renewals comprised 76% (by deal count) of lease deals across the portfolio and for the first half of the FY2014 year the leasing spreads on these deals was 3.7%. The leasing spread on new leases was negative 3.2% providing a combined leasing spread across all deals of 2.0%.

Financial performance

FDC has reported a strong statutory result with total revenue of $268.7 million and net profit after tax of $226.7 million for the half-year to 31 December 2013. This represents an increase in FDC's net profit after tax of $110.8 million or 95.5% compared to the comparative period. The increase in net profit was due to:

- an increase in property revaluations of $32.4 million,
- $64.7 million from the reversal of the stamp duty provision acquired on Aggregation, and
- a decrease in borrowing costs of $27.5 million compared to the comparative period.

Underlying Earnings for the half-year were $118.8 million, an increase of $12.6 million or 11.9% from the comparative period. This is attributed to the decrease in financing costs of $22.9 million associated with:

- the reduction in debt using proceeds sourced from the settlement of the co-ownership transactions with Challenger and ISPT, and
- a reduction to the Core Facility pricing following the assignment of an A- secured credit rating.

The decrease in finance costs above was partially offset by a decrease in services income of $8.3 million due to non-recurring performance fees recognised in the comparative period, and decrease in syndicate investment income of $3.4 million as the RDP syndicate restructure progresses, where the RDP syndicate properties are acquired by FDC or sold on-market.

The following summary Segment Income Statement is extracted from Note 3 of FDC's Half-Year Financial Report.

Summary Segment Income Statement for the half-year ended	31 December 2013	31 December 2012
	$000	$000
Direct property investment income	149,142	148,465
Syndicate investment income	7,895	11,284
Investment income	**157,037**	**159,749**
Property management, development and leasing fees	7,551	7,129
Syndicate management fees	3,036	11,802
Services income	**10,587**	**18,931**
Total income	**167,624**	**178,680**
Overheads and depreciation (net of recoveries)	(22,211)	(23,039)
Financing costs	(26,604)	(49,462)
Underlying earnings	**118,809**	**106,179**
Non-distributable items :		
Asset revaluations	45,132	22,426
Reversal of stamp duty provision acquired on Aggregation	64,700	-
Other non-distributable items	(1,978)	(12,694)
Statutory net profit	**226,663**	**115,911**

Underlying Earnings Per Security (EPS) – cents	**8.32**	**7.51**
Distribution Per Security (DPS) – cents	**7.50**	**6.60**

FDC's Funds from Operations (FFO) for the period was $119.5 million with Adjusted Funds from Operations (AFFO) of $108.3 million as shown in the table below:

	31 December 2013	31 December 2012
	$000	$000
Underlying earnings	**118,809**	**106,179**
Adjusted for:		
Amortisation of rent free periods	691	1,031
Funds From Operations	**119,500**	**107,210**
Adjusted for:		
Maintenance and operating capital expenditure	(10,458)	(9,612)
Proceeds received from receivables previously impaired	-	16,561
Derivative and debt break (costs)/receipts arising from early repayment of borrowings	(696)	344
Adjusted Funds From Operations	**108,346**	**114,503**

Balance Sheet capacity

The net tangible asset per security of FDC increased from $2.22 to $2.30. Market gearing[1] increased from 18% in July 2013 to 22.9%, principally due to property acquisitions during the period. This is still below FDC's target gearing range of 25% to 35%. Over time it is expected that FDC will move back to within its target range as it proceeds to complete on its redevelopment program, strategically pursue asset acquisitions and finalise the RDP syndicates rationalisation as its stated strategy.

FDC continues with its focus to diversify its funding sources and increase the duration of its debt facilities. During the period, FDC established an Australian and European Medium Term Note programmes (AMTN and EMTN respectively). In December 2013, FDC issued A$150 million fixed rate notes under the AMTN programme.

[1] Calculated as total borrowings less cash divided by total tangible assets less cash

Active redevelopment pipeline

With adequate balance sheet capacity, FDC remains committed to its development pipeline with work commencing on centres at Cranbourne in Victoria and Warnbro in Western Australia, resulting in $15.1 million being spent between these projects during the half-year ended 31 December 2013. In addition, tenant remixing initiatives and small scale redevelopment projects totalling $28.0 million were undertaken at centres such as Bankstown and Roselands in NSW, Monier in Queensland, Lennox in VIC and Stirlings in Western Australia were completed during the period delivering a blended year one yield of 10.2%.

RDP syndicates restructure progressing

FDC's strategy to rationalise its RDP syndicates has substantially progressed during the period with property worth $327.7 million acquired by FDC from the RDP syndicate business as listed under Significant Matters earlier. A further $198.3 million has been sold on market by the RDP syndicates.

As at 31 December 2013, only eight active RDP syndicates remain with gross asset values of $526.1 million. FDC is committed to its strategy of seeking to acquire the assets in these remaining RDP syndicates, either at the end of the RDP syndicate term or earlier if the necessary approvals are obtained. The total cash outlay for FDC after taking into account FDC's investment held in these RDP syndicates will be up to approximately $144.0 million, and will be funded by available debt facilities. This excludes expiring RDP syndicate debt facilities that may potentially need to be refinanced of approximately $196.3 million.

Forecast

As a result of continued focus on operational cost control, the impact of the acquisition of new assets (both from the RDP syndicates and also Carlingford Court), and conservative debt levels, FY14 earnings are now forecast, subject to any unforeseen events, to be in the range of 16.7 to 17.0 cents per security with distributions paid to investors to be in a range of 95% to 105% of the amount of adjusted funds from operations.

Distribution

On 2 December 2013 the Directors declared a distribution for the half-year ended 31 December 2013 of 7.5 cents per FDC stapled security, which translates to interim distributions payable to securityholders of $107.1 million. The payment date of the interim distribution will be on 28 February 2014.

Events occurring after the end of the reporting period

(a) Restructure of facilities on 31 January 2014

In executing on the FDC debt strategy, FDC finalised the restructure of its existing core debt by increasing the facility from $1.450 billion to $1.555 billion, comprising:

- $480 million maturing in November 2015;
- $300 million maturing in January 2017;
- $375 million maturing in November 2017; and
- $400 million maturing in November 2018.

There were no changes to financial covenants.

Except for the matters discussed above, no other matter or circumstance has arisen in the interval between 31 December 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.

Auditor's independence declaration

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

Rounding of amounts to the nearest thousand dollars

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

Signed in Melbourne on 20 February 2014 in accordance with a resolution of the Directors.

Bob Edgar

Chairman

Building a better working world

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Auditor's Independence Declaration to the Directors of Federation Centres Limited

In relation to our review of the financial report of Federation Limited for the half-year ended 31 December 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

Ernst & Young

Bruce M

B R Meehan
Partner
Melbourne
20 February 2014

Income Statements
for the half-year ended 31 December 2013

	Notes	Federation Limited and its Controlled Entities 31.12.13 $'000	Restated [1] 31.12.12 $'000
REVENUE			
Property ownership revenue		255,628	248,118
Services revenue		6,378	12,815
Distribution revenue		991	3,208
Interest revenue		5,693	5,206
Total Revenue		**268,690**	**269,347**
Share of net profits of associates and joint venture partnerships accounted for using the equity method	4(b)	2,902	14,862
Fair value adjustment on financial assets at fair value through profit or loss	4(c)	658	(4,694)
Property revaluation increment for directly owned properties	4(d)	66,484	34,037
Other income		2,153	18,137
Borrowing costs		(37,280)	(64,821)
Direct property expenses		(66,374)	(65,345)
Employee benefits expenses		(32,981)	(34,331)
Other expenses from ordinary activities		(14,245)	(13,636)
Net movement on mark to market of derivative financial instruments		(365)	(7,644)
Movement in net assets attributable to puttable interests in consolidated finite life trusts		(15,646)	(8,706)
Discount on acquisition of puttable interests in consolidated finite life trusts		-	490
Reversal of stamp duty provision acquired on Aggregation	6	64,700	-
Stamp duty expense on business combinations	6	(6,182)	(15,979)
Stamp duty written off on acquisition of investment properties	4(d)	(5,851)	(6,363)
PROFIT BEFORE INCOME TAX EXPENSE		**226,663**	**115,354**
Income tax benefit		-	557
NET PROFIT AFTER TAX		**226,663**	**115,911**
Net profit/(loss) attributable to:			
Federation Limited securityholders		(22,011)	(3,454)
Other stapled entities of Federation Centres		248,674	119,365
NET PROFIT ATTRIBUTABLE TO SECURITYHOLDERS OF FEDERATION CENTRES		**226,663**	**115,911**
Basic loss per security in Federation Limited (cents)	7	(1.54)	(0.24)
Diluted loss per security in Federation Limited (cents)	7	(1.54)	(0.24)
Basic earnings per stapled security in Federation Centres (cents)	7	15.88	8.20
Diluted earnings per stapled security in Federation Centres (cents)	7	15.80	8.18

[1] Restated as required by the adoption of AASB 10 *Consolidated Financial Statements (refer Note 2(i))*

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

Statements of Comprehensive Income

for the half-year ended 31 December 2013

	Federation Limited and its Controlled Entities	
		Restated[1]
	31.12.13 $'000	31.12.12 $'000
NET PROFIT	**226,663**	**115,911**
TOTAL COMPREHENSIVE INCOME	**226,663**	**115,911**
Total comprehensive income/(loss) attributable to:		
Federation Limited securityholders	(22,011)	(3,454)
Other stapled entities of Federation Centres	248,674	119,365
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO SECURITYHOLDERS OF FEDERATION CENTRES	**226,663**	**115,911**

[1] Restated as required by the adoption of AASB 10 *Consolidated Financial Statements (refer Note 2(i))*

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

Balance Sheets

as at 31 December 2013

		Federation Limited and its Controlled Entities		
	Notes	31.12.13 $'000	Restated[1] 30.06.13 $'000	Restated[1] 01.07.12 $'000
CURRENT ASSETS				
Cash assets and cash equivalents		107,265	102,656	205,119
Receivables and other assets		48,190	90,138	130,972
Non-current assets classified as held for sale	4(a)	-	441,104	-
Financial assets carried at fair value through profit or loss	4(c)	13,998	79,071	78,292
Total current assets		**169,453**	**712,969**	**414,383**
NON-CURRENT ASSETS				
Receivables and other assets		117,388	117,388	3,587
Investments accounted for using the equity method	4(b)	103,148	119,874	590,834
Financial assets carried at fair value through profit or loss	4(c)	3,200	3,000	152,089
Investment property	4(d)	4,538,549	4,286,848	3,920,491
Intangible assets		199,735	199,735	199,735
Plant and equipment		17,916	10,445	3,319
Total non-current assets		**4,979,936**	**4,737,290**	**4,870,055**
TOTAL ASSETS		**5,149,389**	**5,450,259**	**5,284,438**
CURRENT LIABILITIES				
Trade and other payables		200,954	207,177	184,942
Interest bearing liabilities	5	120,784	372,940	140,111
Provisions	6	23,114	82,938	83,001
Derivative financial instruments		1,950	546	3,565
Total current liabilities		**346,802**	**663,601**	**411,619**
NON-CURRENT LIABILITIES				
Interest bearing liabilities	5	1,166,574	1,215,196	1,325,154
Provisions	6	4,843	4,866	4,541
Derivative financial instruments		425	1,545	5,344
Puttable interests in consolidated finite life trusts		143,747	199,173	187,925
Other liabilities		2,700	2,850	-
Deferred tax liability		-	-	2,239
Total non-current liabilities		**1,318,289**	**1,423,630**	**1,525,203**
TOTAL LIABILITIES		**1,665,091**	**2,087,231**	**1,936,822**
NET ASSETS		**3,484,298**	**3,363,028**	**3,347,616**

[1] Restated as required by the adoption of AASB 10 *Consolidated Financial Statements (refer Note 2(i))*

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

Balance Sheets

as at 31 December 2013 (continued)

	Federation Limited and its Controlled Entities		
	31.12.13 $'000	Restated[1] 30.06.13 $'000	Restated[1] 01.07.12 $'000
EQUITY			
Equity attributable to Federation Limited			
Contributed equity	-	-	-
Share based payment reserve	6,140	4,460	898
Accumulated losses	(59,064)	(37,053)	(25,554)
Total equity attributable to Federation Limited	**(52,924)**	**(32,593)**	**(24,656)**
Equity attributable to other stapled entities of Federation Centres			
Contributed equity	3,657,240	3,657,240	3,453,502
Class Action True-up Securities (CATS)	-	-	203,261
Accumulated losses	(120,018)	(261,619)	(284,491)
Total equity attributable to other stapled entities of Federation Centres	**3,537,222**	**3,395,621**	**3,372,272**
Equity attributable to securityholders of Federation Centres:			
Federation Limited	(52,924)	(32,593)	(24,656)
Other stapled entities of Federation Centres	3,537,222	3,395,621	3,372,272
TOTAL EQUITY ATTRIBUTABLE TO SECURITYHOLDERS OF FEDERATION CENTRES	**3,484,298**	**3,363,028**	**3,347,616**

[1] Restated as required by the adoption of AASB 10 *Consolidated Financial Statements (refer Note 2(i))*

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

Statements of Changes in Equity

for the half- year ended 31 December 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
As at 1 July 2012	**3,453,502**	**203,261**	**(310,045)**	**898**	**3,347,616**
Net profit for the half-year	-	-	115,911	-	115,911
Total comprehensive income [3]	-	-	115,911	-	115,911
Issue of securities, net of transaction costs	203,163	(203,261)	-	-	(98)
Share based payments	-	-	-	1,781	1,781
Distribution paid and payable [2]	-	-	(94,208)	-	(94,208)
As at 31 December 2012	**3,656,665**	**-**	**(288,342)**	**2,679**	**3,371,002**

	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
As at 1 July 2013	**3,657,240**	**-**	**(298,672)**	**4,460**	**3,363,028**
Net profit for the half-year	-	-	226,663	-	226,663
Total comprehensive income [3]	-	-	226,663	-	226,663
Share based payments	-	-	-	1,680	1,680
Distribution paid and payable [2]	-	-	(107,073)	-	(107,073)
As at 31 December 2013	3,657,240	**-**	**(179,082)**	**6,140**	**3,484,298**

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 half-year of $107.1 million represents 7.5 cents per stapled security (2012: 6.6 cents)

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

	Federation Limited and its Controlled Entities	
	31.12.13 $'000	Restated 31.12.12 $'000
Total comprehensive loss attributable to Federation Limited	(22,011)	(3,454)
Total comprehensive income attributable to other stapled entities of Federation Centres	248,674	119,365
Total comprehensive income	**226,663**	**115,911**

Cash Flow Statements

for the half-year ended 31 December 2013

	Federation Limited and its Controlled Entities	
	31.12.13 $'000	Restated[1] 31.12.12 $'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	274,735	274,904
Payments to suppliers and employees	(115,772)	(110,444)
Distributions received from associates and managed investments	3,511	20,542
Interest and other income received	6,071	4,537
Interest paid/derivative settlements	(37,092)	(81,562)
Deferred debt costs paid	(3,261)	(8,402)
Net cash inflow from operating activities	**128,192**	**99,575**
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of syndicates, net of cash acquired	-	(89,026)
Returns of capital received from other investments	65,532	11,982
Payments for plant and equipment and other investments	(8,385)	(1,534)
Proceeds from disposal of investment properties	441,104	27,000
Acquisition of investment properties	(106,000)	(124,239)
Payments for capital expenditure on investment properties	(46,764)	(41,822)
Transaction costs paid on capital transactions	(3,119)	-
Other stamp duty paid	(6,927)	(9,817)
Net cash inflow/(outflow) from investing activities	**335,441**	**(227,456)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	436,135	254,566
Repayments of borrowings	(736,328)	(40,650)
Break costs paid on repayment of borrowings	(656)	-
Receipt of related party loan repayments	21,262	39,325
Loans extended to related parties	-	(113,800)
Acquisition of puttable interests in consolidated finite life trusts	(66,320)	(685)
Return of capital to puttable interest holders	-	(11,019)
Distributions paid to external securityholders	(113,117)	(92,998)
Net cash (outflow)/inflow from financing activities	**(459,024)**	**34,739**
Net increase/(decrease) in cash and cash equivalents	**4,609**	**(93,142)**
Cash and cash equivalents at the beginning of the half-year	102,656	205,120
Cash and cash equivalents at the end of the half-year	**107,265**	**111,978**

[1] Restated as required by the adoption of AASB 10 *Consolidated Financial Statements (refer Note 2(i))*

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

Notes to and forming part of the consolidated financial statements

for the half-year ended 31 December 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) Basis of preparation of financial statements

This condensed consolidated half-year financial report for the half-year ended 31 December 2013 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year except as detailed in Note 2. When the presentation or classification of items in the half-year financial report is amended, comparative amounts are also reclassified unless it is impractical.

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

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 3 *Business Combinations* and AASB 10 *Consolidated Financial Statements*.

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.

This condensed consolidated half-year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this half-year report is to be read in conjunction with the annual report for the year ended 30 June 2013 and any public announcements made by FDC during the half-year period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and Australian Securities Exchange.

Going concern

As at 31 December 2013, FDC is in a net current liability position of $177 million which is due to the interim distribution accrued of $107 million, and current interest bearing liabilities in consolidated RDP syndicates of $121 million.

The Directors are of the opinion that the Group is a going concern on the basis that the Group

- has available unutilised debt facilities of $276 million of which $273 million has a maturity of November 2017, as well as additional facilities of $330 million which became available from 31 January 2014, to meet its obligations as and when they fall due; and
- would either be able to extend the maturing facilities in the consolidated RDP syndicates, or repay the facilities using proceeds from the disposal of the property assets held by the consolidated RDP syndicates.

(b) Significant accounting estimates, judgements and assumptions

(i) Investment property values (refer Note 4)

Investment properties are carried at their fair value. Valuations are based on either an independent valuation or a Directors' valuation, which is supported by the extrapolation of independent valuations on similar properties. Valuations are determined based on assessments and estimates of uncertain future events, including upturns and downturns in property markets and availability of similar properties, vacancy rates, market rents and capitalisation and discount rates. Refer to Note 4(d) for further information regarding investment property valuations.

(ii) Fair value of financial instruments

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Significant accounting estimates, judgements and assumptions (continued)

(iii) Intangible assets

At 31 December 2013, the Group carries a value for goodwill of $199.7 million. The recoverable amount of the goodwill has been determined based on the fair value less costs to sell. 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 be made by other market participants. No indicators of impairment were identified at 31 December 2013.

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

(i) 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.

(ii) 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 Group. The amendments are not expected to have a material impact on the financial statements.

2. ADOPTION OF NEW ACCOUNTING STANDARDS

(i) AASB 10 *Consolidated Financial Statements*

AASB 10 replaced the control and consolidation rules under both AASB 127 *Consolidated Financial Statements* and AASB Interpretation 112 *Special Purpose Entities*. The new control model introduced by AASB 10 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 that give rise to control such as including when acting as a fund manager, potential voting rights and other scenarios where holding less than a majority of voting rights may give rise to 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 (RDP) syndicate and the ability of the Group 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 RDP 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
    - The Group's ability to appoint or remove the directors of the RE.

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

2. ADOPTION OF NEW ACCOUNTING STANDARDS (continued)

(i) AASB 10 *Consolidated Financial Statements* (continued)

Based on the results of the analysis undertaken, FDC will now consolidate a further four RDP syndicates, being RDP 5, 10, 14 and 15, even though FDC holds less than a majority of the voting rights. This is due to the following reasons:

1) FDC is the RE of these RDP syndicates through its wholly owned subsidiary, and is legally able to appoint and remove the directors of the RE.

2) In addition to holding an equity interest from which FDC derives distribution income and capital appreciation, FDC also earns other income such as property management fees, fund management fees and other service fees.

The consolidation of RDP 5, 10, 14 and 15 is in addition to the RDP syndicates that FDC currently consolidated on the basis that it holds the majority of the voting rights in these RDP syndicates.

AASB 10 requires retrospective application – i.e. FDC is required to restate and represent comparative period information as if RDP 5, 10, 14 and 15 have always been consolidated. Accordingly, the comparative periods in the Income Statement, Balance Sheet, Cash Flow Statement and relevant notes to the financial statements are presented as "Restated".

The adoption of AASB 10 resulted in the gross up of the Balance Sheet and Income Statement. However, the restatements had no impact on the net assets, net results, underlying earnings or net tangible assets of FDC. The gross up in the Balance Sheet and Income Statement is offset by an increase in the amounts attributable to non-controlling interests, which FDC is required to present as 'puttables interests in consolidated finite life trusts' – a liability on the Balance Sheet, and an expense in the Income Statement. In addition, AASB 10 has had no impact on underlying earnings as non-wholly owned syndicates are excluded when calculating underlying earnings.

The following Income Statement items were restated for the half-year ended 31 December 2012:

	Previously reported 31.12.12 $'000	Adjustments arising from the adoption of AASB 10 $'000	Restated 31.12.12 $'000
Property ownership revenue	234,917	13,201	**248,118**
Services revenue	14,455	(1,640)	**12,815**
Distribution revenue	4,304	(1,096)	**3,208**
Interest revenue	5,137	69	**5,206**
Fair value adjustment on financial assets at fair value through profit or loss	(4,845)	151	**(4,694)**
Property revaluation increment for directly owned properties	32,964	1,073	**34,037**
Other income	18,126	11	**18,137**
Borrowing costs	(60,846)	(3,975)	**(64,821)**
Direct property expenses	(61,766)	(3,579)	**(65,345)**
Employee benefits expenses	(33,867)	(464)	**(34,331)**
Other expenses from ordinary activities	(12,739)	(897)	**(13,636)**
Net movement on mark to market of derivatives	(7,429)	(215)	**(7,644)**
Movement in net assets attributable to puttable interests in consolidated finite life trusts	(6,067)	(2,639)	**(8,706)**
Impact on net profit	n/a	-	**n/a**

2. ADOPTION OF NEW ACCOUNTING STANDARDS (continued)

(i) AASB 10 *Consolidated Financial Statements* (continued)

The following Balance Sheet items were restated at 30 June 2013:

	Previously reported 30.06.13 $'000	Adjustments arising from the adoption of AASB 10 $'000	Restated 30.06.13 $'000
Cash assets and cash equivalents	93,317	9,339	**102,656**
Receivables and other assets - current	89,413	725	**90,138**
Non-current assets classified as held for sale	417,354	23,750	**441,104**
Financial assets carried at fair value through profit or loss – non current	44,033	(41,033)	**3,000**
Investment property	4,081,715	205,133	**4,286,848**
Trade and other payables – current	203,360	3,817	**207,177**
Interest bearing liabilities – non-current	1,108,410	106,786	**1,215,196**
Derivative financial instruments liability – non-current	1,115	430	**1,545**
Puttable interests in consolidated finite life trusts	112,292	86,881	**199,173**
Impact on net assets	n/a	-	**n/a**

The following Balance Sheet items were restated at 1 July 2012:

	Previously reported 30.06.12 $'000	Adjustments arising from the adoption of AASB 10 $'000	Restated 01.07.12 $'000
Cash assets and cash equivalents	200,478	4,641	**205,119**
Receivables and other assets – current	127,397	3,575	**130.972**
Derivative financial instruments asset –current	551	(551)	**-**
Financial assets carried at fair value through profit or loss – Non current	192,254	(40,165)	**152,089**
Investment property	3,701,041	219,450	**3,920,491**
Trade and other payables – current	165,926	19,016	**184,942**
Interest bearing liabilities – non-current	1,238,662	86,492	**1,325,154**
Derivative financial instruments liability – non-current	5,266	78	**5,344**
Puttable interests in consolidated finite life trusts	106,561	81,364	**187,925**
Impact on net assets	n/a	-	**n/a**

2. ADOPTION OF NEW ACCOUNTING STANDARDS (continued)

(i) AASB 10 *Consolidated Financial Statements* (continued)

The impact on Cash Flow Statement for the period ended 31 December 2012 are as follows

	Federation Limited and its Controlled Entities		
	Previously reported 31.12.12 $'000	**Adjustments arising from the adoption of AASB 10 $'000**	**Restated 31.12.12 $'000**
Net cash inflow from operating activities	99,132	443	99,575
Net cash outflow from investing activities	(226,116)	(1,340)	(227,456)
Net cash inflow from financing activities	33,176	1,563	34,739
Net (decrease)/increase in cash and cash equivalents	(93,808)	666	(93,142)

(ii) AASB 12 *Disclosure of Interests in Other Entities*

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 has not resulted in any changes to the reported financial position and performance of the Group, however there are additional disclosures about the investments held and in particular relating to the significant judgments and assumptions made (if any) during the control assessments for the group composition.

FDC has not made any significant judgement or assumptions in determining control.

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

AASB 13 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 has not had material impact on net assets or net results of the Group arising from incorporating “credit valuation adjustments” when calculating the fair value of financial liabilities.

(iv) Adoption of other accounting standards that had no material impact to the financial statements

From 1 July 2013, the following accounting standards were adopted by FDC and had no impact on the financial position and financial results for the half-year ended 31 December 2013.

- AASB 11 *Joint Arrangements*
- AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements*
- AASB 2012-2 *Amendments to Australian Accounting Standards – Disclosure - Offsetting Financial Assets and Financial Liabilities*
- AASB 2012-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle*
- AASB 119 *Employee Benefits*

3. SEGMENT INFORMATION

AASB 8 *Operating Segments* requires a 'management approach' in identifying and presenting segment information, that is, segment information is presented on the same basis as that used for internal reporting purposes. The Group has identified its operating segments based on the internal reports that are reviewed and used by the Chief Operating Decision Maker (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.

(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.

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

Overheads comprise corporate office overhead costs incurred. Borrowing costs include interest expense on borrowings, interest income and amortisation of borrowing costs. Neither overheads nor 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 the report for the year ended 30 June 2013.

3. SEGMENT INFORMATION (CONTINUED)

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 RDP syndicates. This format of reporting is regularly used by the CEO to make operational decisions about allocating resources to operating segments.

	Federation Limited and its Controlled Entities	
Segment Income Statements	**31.12.13 $'000**	**31.12.12 $'000**
Direct property investment income	149,142	148,465
Syndicate investment income	7,895	11,284
Investment income	**157,037**	**159,749**
Property management, development and leasing fees	7,551	7,129
Syndicate management fees	3,036	11,802
Services income	**10,587**	**18,931**
Total segment income	**167,624**	**178,680**
Overheads, net of recoveries	(21,348)	(22,472)
Depreciation and amortisation	(863)	(567)
Borrowing costs	(26,604)	(49,462)
Underlying earnings	**118,809**	**106,179**
Non-distributable items:		
Investment property revaluations (1)	45,132	22,426
Reversal of stamp duty provision acquired on Aggregation	64,700	-
Fair value adjustment on financial assets carried at fair value through profit or loss (2)	658	(4,694)
Net mark to market movements on derivatives	(435)	(7,146)
Recovery of related party balances previously impaired	-	16,561
Net profits in consolidated syndicates, net of declared distributions (2)	8,686	6,806
Stamp duty expenses	(12,034)	(22,342)
Straight-lining of rent	2,637	37
Other non-distributable items	(1,490)	(1,916)
Net profit	**226,663**	**115,911**

(1) Includes revaluations of properties accounted for as equity accounted investments.
(2) The comparative of fair value adjustments on financial assets carried at fair value through profit or loss has decreased by $151,000 (decreased loss) and the net profits in consolidated RDP syndicate, net of declared distributions has reduced by $151,000 (reduced income) as a result of the adoption of AASB 10.

3. SEGMENT INFORMATION (continued)

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

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 following reconciliation reflects the adjustments required from underlying earnings disclosed to FFO and AFFO.

	Federation Limited and its Controlled Entities	
	31.12.13 $'000	**31.12.12 $'000**
Underlying earnings	**118,809**	**106,179**
Adjusted for:		
Amortisation of rent free periods	691	1,031
Funds From Operations	**119,500**	**107,210**
Adjusted for:		
Derivative and debt break (costs)/receipts arising from early repayment of borrowings	(696)	344
Maintenance capital expenditure and tenant incentives given for the period	(10,458)	(9,612)
Proceeds received from receivables previously impaired	-	16,561
Adjusted Funds From Operations	**108,346**	**114,503**

3. SEGMENT INFORMATION (continued)

Reconciliation of total segment income to the Income Statements

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	
	31.12.13 $'000	**Restated 31.12.12 $'000**
Total segment income	**167,624**	**178,680**
Less:		
Net property income from equity accounted investments not shown in revenue per the Income Statement	(7,763)	(22,308)
Distribution income from consolidated managed fund investments included in managed fund investment income	(6,870)	(7,504)
Intra-group services income from consolidated managed funds eliminated on consolidation	(4,209)	(6,985)
Add:		
Revenue from consolidated direct property investments that are equity accounted in segment income	-	8,616
Net expenses directly attributable to direct property investments deducted in determining direct property investment income	77,367	64,506
Property ownership revenue from consolidated managed fund investments	37,410	50,194
Interest revenue not included in segment income	5,131	4,148
Total revenue per income statement	**268,690**	**269,347**

Segment Balance Sheets

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

The Segment Balance Sheet is adjusted for the following items:

- RDP syndicates investments are recognised as "Managed fund investments" regardless of the level of ownership held by FDC. The investment value is calculated based on the ownership interest attributable to FDC 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.

3. 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.

As at 31 December 2013	Statutory basis $'000	Reverse consolidation of RDP syndicates $'000	Reverse eliminations of RDP syndicates $'000	Recognise equity accounted investments at gross values $'000	Segment balance sheet $'000
Current assets					
Cash	107,265	(18,340)	-	(1,352)	87,573
Managed fund investments	13,998	-	-	-	13,998
Other	48,190	(3,836)	34,860	322	79,536
Total current assets	**169,453**	**(22,176)**	**34,860**	**(1,030)**	**181,107**
Non-current assets					
Investment property	4,538,549	(491,975)	(10,250)	(17,500)	4,018,824
Equity accounted investments	103,148	(10,250)	10,250	168,181	271,329
Managed fund investments	3,200	-	133,491	-	136,691
Intangible assets	199,735	-	-	-	199,735
Other	135,304	-	-	(117,388)	17,916
Total non-current assets	**4,979,936**	**(502,225)**	**133,491**	**33,293**	**4,644,495**
Total assets	**5,149,389**	**(524,401)**	**168,351**	**32,263**	**4,825,602**
Current liabilities					
Borrowings	120,784	(131,435)	10,651	32,899	32,899
Other	226,018	(38,542)	21,588	(333)	208,731
Total current liabilities	**346,802**	**(169,977)**	**32,239**	**32,566**	**241,630**
Non-current liabilities					
Borrowings	1,166,574	(74,502)	-	-	1,092,072
Puttable interests in consolidated finite life trusts	143,747	(143,747)	-	-	-
Other	7,968	(136,175)	136,112	(303)	7,602
Total non-current liabilities	**1,318,289**	**(354,424)**	**136,112**	**(303)**	**1,099,674**
Total liabilities	**1,665,091**	**(524,401)**	**168,351**	**32,263**	**1,341,304**
Net assets	**3,484,298**	**-**	**-**	**-**	**3,484,298**

3. SEGMENT INFORMATION (continued)

As at 30 June 2013	Restated Statutory basis $'000	Restated Reverse consolidation of RDP syndicates $'000	Restated Reverse eliminations of RDP syndicates $'000	Restated Recognise equity accounted investments at gross values $'000	Segment balance sheet $'000
Current assets					
Cash	102,656	(30,448)	-	-	72,208
Non-current assets held for sale	441,104	(69,750)	-	-	371,354
Managed fund investments	79,071	-	-	-	79,071
Other	90,138	(12,408)	41,992	-	119,722
Total current assets	**712,969**	**(112,606)**	**41,992**	**-**	**642,355**
Non-current assets					
Investment property	4,286,848	(773,924)	7,250	-	3,520,174
Equity accounted investments	119,874	(9,950)	(7,250)	151,226	253,900
Managed fund investments	3,000	(701)	262,763	-	265,062
Intangible assets	199,735	-	-	-	199,735
Other	127,833	-	-	(117,388)	10,445
Total non-current assets	**4,737,290**	**(784,575)**	**262,763**	**33,838**	**4,249,316**
Total assets	**5,450,259**	**(897,181)**	**304,755**	**33,838**	**4,891,671**
Current liabilities					
Borrowings	372,940	(83,790)	10,651	-	299,801
Other	290,661	(52,437)	29,350	428	268,002
Total current liabilities	**663,601**	**(136,227)**	**40,001**	**428**	**567,803**
Non-current liabilities					
Borrowings	1,215,196	(296,077)	(25)	32,844	951,938
Puttable interests in consolidated finite life trusts	199,173	(199,173)	-	-	-
Other	9,261	(265,704)	264,779	566	8,902
Total non-current liabilities	**1,423,630**	**(760,954)**	**264,754**	**33,410**	**960,840**
Total liabilities	**2,087,231**	**(897,181)**	**304,755**	**33,838**	**1,528,643**
Net assets	**3,363,028**	**-**	**-**	**-**	**3,363,028**

4. INVESTMENTS

	Note	Federation Limited and its Controlled Entities 31.12.13 $'000	Restated 30.06.13 $'000
Included in the Balance Sheet as:			
Non-current assets classified as held for sale	4(a)	-	441,104
Investments accounted for using the equity method	4(b)	103,148	119,874
Financial assets carried at fair value through profit or loss	4(c)	17,198	82,071
Investment property	4(d)	4,538,549	4,286,848
		4,658,895	**4,929,897**

(a) Non-current assets classified as held for sale

	31.12.13 $'000	Restated 30.06.13 $'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
Lennox [2]	-	23,750
Sunshine Marketplace [2]	-	46,000
	-	**441,104**

(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.

(b) Investments accounted for using the equity method

Federation Limited and its Controlled Entities

	Valuation Type	FDC interest 31.12.13 %	FDC interest 30.06.13 %	Carrying amount 31.12.13 $'000	Carrying amount 30.06.13 $'000	Share of net profit/(loss) 31.12.13 $'000	Share of net profit/(loss) 31.12.12 $'000
Tuggeranong Hyperdome	Independent	50.0	50.0	47,613	47,613	397	2,015
Victoria Gardens Shopping Centre	Directors	50.0	50.0	55,535	55,061	1,943	2,246
Emerald Village [1]	n/a	-	50.0	-	9,950	699	(310)
Emerald Market [1]	n/a	-	50.0	-	7,250	(137)	(114)
Others [2]	n/a	-	-	-	-	-	11,025
				103,148	**119,874**	**2,902**	**14,862**

(1) FDC acquired the other 50% held by RDP 34 on 20 December 2013 and now consolidated these centres as investment properties.

(2) Relates to 50% investment previously held in Bankstown, Roselands and Lutwyche City that were acquired by FDC in prior year and are now consolidated.

4. INVESTMENTS (continued)

(b) Investments accounted for using the equity method (continued)

	Notes	Federation Limited and its Controlled Entities 31.12.13 $'000	Restated 31.12.12 $'000
Movements for the half-year for investments accounted for using the equity method:			
Opening balance at the beginning of the period		119,874	590,834
Share of net profits of equity accounted investments		2,902	14,862
Distribution of net income from equity accounted investments		(3,321)	(15,416)
Additional investments made during the period		1,193	8,898
Acquired during the period		17,500	312,891
Transferred to investment properties	4(d)	(35,000)	(624,071)
Closing balance		**103,148**	**287,998**

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

	Federation Limited and its Controlled Entities 31.12.13 $'000	Restated 30.06.13 $'000
Current assets [(1)]		
Retail Direct Property 4	230	8,268
Retail Direct Property 19 UT	151	2,112
Retail Direct Property 21	697	47,373
Retail Direct Property 34	8,800	16,525
Other RDP syndicates	481	481
External investments	3,639	4,312
	13,998	**79,071**
Non-current assets		
External investments	3,200	3,000
	3,200	**3,000**
Total financial assets carried at fair value through profit or loss	**17,198**	**82,071**

(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.

4. INVESTMENTS (continued)

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

	Notes	31.12.13 $'000	Restated 31.12.12 $'000
Movements for the half-year of financial assets carried at fair value through profit or loss:			
Opening balance at the beginning of the period		82,071	230,381
Fair value gain/(losses) during the period arising on valuation of financial assets carried at fair value through profit or loss		658	(4,694)
Return of capital		(65,531)	(13,701)
Obtained control during the period and now consolidated		-	(107,234)
Closing balance		**17,198**	**104,752**

4. INVESTMENTS (continued)

(d) Investment property

	FDC Interest	Mall Type	Valuation Type	Federation Limited and its Controlled Entities 31.12.13 $'000	30.06.13 $'000
Bankstown Centre (2)	50%	Regional	Directors	289,000	284,300
Colonnades (2)	50%	Regional	Independent	147,700	153,000
Galleria (2)	50%	Regional	Independent	344,000	341,500
Roselands (2)	50%	Regional	Directors	169,500	166,897
The Glen (2)	50%	Regional	Independent	215,825	215,750
Albury	100%	Sub-regional	Independent	55,450	55,450
Armidale	100%	Sub-regional	Directors	39,000	39,000
Arndale Central	100%	Sub-regional	Independent	140,000	140,000
Belmont Shopping Village (1) (4)	100%	Sub-regional	Independent	39,300	39,300
Box Hill Central	100%	Sub-regional	Directors	179,000	169,000
Brandon Park (1)	100%	Sub-regional	Independent	115,500	114,200
Buranda Village	100%	Sub-regional	Independent	33,300	33,300
Burnie	100%	Sub-regional	Independent	18,000	17,000
Carlingford Court (2)	50%	Sub-regional	Independent	88,500	-
Cranbourne Park (2)	50%	Sub-regional	Directors	62,750	62,750
Goulburn	100%	Sub-regional	Independent	51,000	50,000
Gympie Central	100%	Sub-regional	Directors	65,000	63,800
Karingal Hub (2)	50%	Sub-regional	Directors	95,000	93,150
Karratha (2) (4)	50%	Sub-regional	Directors	50,000	47,925
Kurralta (1)	100%	Sub-regional	Independent	34,150	32,300
Lavington Square	100%	Sub-regional	Independent	57,000	59,000
Maddington	100%	Sub-regional	Independent	98,000	97,050
Maitland Hunter Mall (4)	100%	Sub-regional	Independent	12,000	12,000
Mandurah Forum (2)	50%	Sub-regional	Independent	137,500	128,150
Mildura Plaza	100%	Sub-regional	Independent	96,170	90,500
Mornington Central	100%	Sub-regional	Independent	56,500	55,000
Mount Gambier	100%	Sub-regional	Directors	30,000	30,000
Nepean Village	100%	Sub-regional	Independent	122,500	115,500
Somerville	100%	Sub-regional	Directors	38,200	38,500
Springwood	100%	Sub-regional	Directors	48,000	48,000
Sunshine Marketplace (2)	50%	Sub-regional	Independent	47,250	46,000
Taigum Square	100%	Sub-regional	Directors	80,500	79,500
Toombul	100%	Sub-regional	Independent	220,000	215,000
Toormina Gardens (2)	50%	Sub-regional	Independent	34,500	32,750
Tweed	100%	Sub-regional	Independent	65,000	70,000
Tweed Supermarket	100%	Sub-regional	Independent	15,000	15,000
Warriewood Grove (2)	50%	Sub-regional	Directors	73,750	70,154
Warwick Grove	100%	Sub-regional	Independent	145,300	132,500
Westside	100%	Sub-regional	Directors	35,500	35,500
Carried forward				3,644,645	3,488,726

4. INVESTMENTS (continued)

(d) Investment property (continued)

	FDC Interest	Mall Type	Valuation Type	Federation Limited and its Controlled Entities 31.12.13 $'000	30.06.13 $'000
Brought forward				3,644,645	3,488,726
Whitsundays	100%	Sub-regional	Independent	52,045	47,545
Wodonga Village	100%	Sub-regional	Directors	46,000	46,000
Emerald Village [3]	100%	Convenience	Directors	20,500	-
Emerald Market [3]	100%	Convenience	Directors	14,500	-
Albany	100%	Convenience	Director	25,000	25,000
Dianella	100%	Convenience	Independent	57,000	57,000
Flinders Square	100%	Convenience	Independent	26,750	23,500
Glenorchy [1]	100%	Convenience	Independent	18,300	18,200
Goldfields Plaza	100%	Convenience	Directors	23,000	21,000
Halls Head Village [2]	50%	Convenience	Directors	15,900	17,150
Hilton [1]	100%	Convenience	Independent	18,400	18,000
Katherine Oasis Shopping Centre	100%	Convenience	Directors	26,000	25,000
Kalamunda [1] [4]	100%	Convenience	Independent	29,600	25,400
Lennox [2] [4]	50%	Convenience	Independent	26,250	24,000
Lutwyche City	100%	Convenience	Independent	53,750	52,000
Milton	100%	Convenience	Independent	18,400	18,250
Meadow Mews [1] [4]	100%	Convenience	Directors	39,000	38,100
Monier Village	100%	Convenience	Independent	16,850	11,200
North Shore	100%	Convenience	Independent	18,650	18,500
Oakleigh [1]	100%	Convenience	Independent	46,800	44,200
Oxenford [1]	100%	Convenience	Directors	24,200	23,000
Raymond Terrace [1]	100%	Convenience	Directors	27,000	25,500
Stirlings [1] [4]	100%	Convenience	Independent	46,700	32,300
The Gateway Shopping Village [1]	100%	Convenience	Independent	32,900	30,400
Victoria Park	100%	Convenience	Directors	21,750	21,750
Warnbro Fair	100%	Convenience	Directors	53,000	53,000
Warrnambool	100%	Convenience	Directors	12,300	12,300
Woodlands [1]	100%	Convenience	Directors	12,875	14,450
Indooroopilly	100%	Bulky goods	Independent	46,900	46,900
				4,514,965	4,278,371
Development projects and construction in progress					
Cranbourne				3,850	1,291
Warnbro Fair				13,800	1,215
Other				5,934	5,971
Total				**4,538,549**	**4,286,848**

(1) Owned by consolidated RDP syndicates.

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

(3) Owned 50% direct and 50% through consolidated RDP syndicates.

(4) The property is included in the comparative amount as it relates to a RDP syndicate that is now consolidated as a result of adopting AASB 10. Refer to Note 2.

4. INVESTMENTS (continued)

(d) Investment property (continued)

	Note	Federation Limited and its Controlled Entities 31.12.13 $'000	Restated 31.12.12 $'000
Movements for the half-year of investment property:			
Opening balance at the beginning of the period		4,286,848	3,920,491
Acquisition of investment property		88,500	124,239
Stamp duty capitalised on acquisition of investment property		5,851	6,363
Disposal of interests in investment property		-	(26,000)
Investment properties arising from acquisition of syndicates		-	162,869
Transferred from equity accounted investments	4(b)	35,000	624,071
Capital expenditure during the period		60,218	33,910
Property revaluation increment for the period		66,484	34,037
Stamp duty written off on acquisition of investment property		(5,851)	(6,363)
Straight-lining of rent adjustment		1,499	(817)
Tenant allowance amortisation		-	(730)
Closing balance		**4,538,549**	**4,872,070**

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 31 December 2013. The Board of Directors of Federation Centres has reviewed these valuations and determined that they are appropriate to use as at 31 December 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.

Investment properties are categorised as Level 3 in the fair value hierarchy.

A movement in the adopted property capitalisation rates of 0.25%, across the investment property portfolio would impact net assets by approximately $154.8 million and net tangible assets attributable to securityholders of FDC by approximately $0.11 per stapled security.

5. INTEREST BEARING LIABILITIES

	Federation Limited and its Controlled Entities 31.12.13 $'000	Restated 30.06.13 $'000
Interest bearing liabilities	1,298,560	1,598,453
Deferred debt costs and fair value adjustments [1]	(11,202)	(10,317)
Total interest bearing liabilities	**1,287,358**	**1,588,136**
Classified as follows		
Current	120,784	372,940
Non-current	1,166,574	1,215,196
Total interest bearing liabilities	**1,287,358**	**1,588,136**

[1] Comprises the 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 31.12.13 $'000	Restated 30.06.13 $'000
(a) Financing arrangements		
The Group has access to the following lines of credit:		
Total facilities available [1]	1,574,025	1,819,853
Facilities utilised at the end of the half-year	1,298,560	1,598,453
Total facilities not utilised at the end of the half-year [2]	**275,465**	**221,400**

[1] Excludes additional Core Facility of $225 million available from 31 January 2014.

[2] In January 2014, the Core Facility was restructured. The total facility limit increased by $105 million and the maturity profile was altered in line with the debt strategy. See Note 11 for further details.

(b) Defaults on debt obligations

At 31 December 2013, the Group had no defaults on debt obligations. (2012: None)

(c) Breaches of lending covenants

At 31 December 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.

5. INTEREST BEARING LIABILITIES (continued)

(f) Maturity profile of interest bearing liabilities

31 December 2013

Federation Limited and its Controlled Entities

	Less than 1 year	1 to 3 years	Greater than 3 years	Total	Carrying amount
	$'000	$'000	$'000	$'000	$'000
Interest bearing liabilities	121,325	525,000	652,235	1,298,560	1,287,358

Restated 30 June 2013

Federation Limited and its Controlled Entities

	Less than 1 year	1 to 3 years	Greater than 3 years	Total	Carrying amount
	$'000	$'000	$'000	$'000	$'000
Interest bearing liabilities	373,400	748,253	476,800	1,598,453	1,588,136

(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	
	31.12.13 $'000	Restated 30.06.13 $'000
Total interest bearing liabilities	1,287,358	1,588,136
Add: Deferred debt costs	11,202	10,317
Less: Fixed rate borrowings	(257,025)	(196,625)
Variable rate borrowings	1,041,535	1,401,828
Less: Related party loan receivables at variable rate	-	(21,238)
Net variable rate borrowings exposed to cash flow interest rate risk at 31 December 2013	**1,041,535**	**1,380,590**
Less: borrowings repaid in July 2013 [1]	-	(336,728)
Representative net variable rate borrowings exposed to cash flow interest rate risk	**1,041,535**	**1,043,862**
Less: Notional principal of outstanding interest rate swap contracts	(722,418)	(557,787)
Representative net variable rate borrowings exposed to cash flow interest rate risk after effect of interest rate swaps	**319,117**	**486,075**

[1] Represents borrowings repaid in July 2013 following the settlement of the transactions with ISPT deducted to provide the representative cash flow interest rate exposure of FDC, noting that hedges associated with the repaid borrowings were closed out in June 2013. These borrowings have not been redrawn.

6. PROVISIONS

	Federation Limited and its Controlled Entities	
	31.12.13 $'000	Restated 30.06.13 $'000
Current		
Employee benefits	3,940	4,170
Provision for stamp duty	19,174	78,768
Total current provisions	**23,114**	**82,938**
Non-current		
Employee benefits – long service leave [1]	4,843	4,866
Total non-current provisions	**4,843**	**4,866**

[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.

	31.12.13 $'000	Restated 31.12.12 $'000
Movements for the year in the provision for stamp duty:		
Opening balance at the beginning of the period	78,768	83,001
Reversal of stamp duty provision acquired at Aggregation [2]	(64,700)	-
Stamp duty provided on business combinations	6,182	15,979
Stamp duty provided on acquisition of investment properties	5,851	6,363
Stamp duty paid	(6,927)	(9,817)
Closing balance	**19,174**	**95,526**

[2] During the period, FDC received confirmation from the Victorian SRO advising that in relation to various assessments, FDC's objections have been allowed and the relevant assessments have been withdrawn.

7. 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	
	31.12.13 $'000	**31.12.12 $'000**
Net loss attributable to securityholders of Federation Limited	(22,011)	(3,454)
Net profit attributable to securityholders of Federation Centres	248,674	119,365

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

	Federation Limited and its Controlled Entities	
	31.12.13 Number '000	**31.12.12 Number '000**
Weighted average number of securities used in calculation of basic earnings/(loss) per security	1,427,642	1,412,790
Adjusted for weighted average number of performance rights granted [1]	6,535	4,042
Weighted average number of securities used in calculation of diluted earnings/(loss) per security	**1,434,177**	**1,416,832**

[1] Relates to performance rights of 7,860,849 granted to certain senior management of the Group under the FDC Senior Executive Performance Rights Plan. These rights are dilutive as they entitle the holder to 7,860,849 units in FDC upon vesting for zero consideration.

8. NET TANGIBLE ASSET BACKING

	Federation Limited and its Controlled Entities	
	31.12.13 $'000	**30.06.13 $'000**
Net assets attributable to securityholders of Federation Centres	3,484,298	3,363,028
Less: Intangible assets	(199,735)	(199,735)
Net tangible assets attributable to securityholders of Federation Centres	**3,284,563**	**3,163,293**
	Number '000	**Number '000**
Number of securities outstanding at the end of the half-year	1,427,642	1,427,642
	$	**$**
Net tangible asset backing per security	**2.30**	**2.22**

9. CHANGES IN OWNERSHIP OF SUBSIDIARIES THAT DO NOT RESULT IN LOSS OF CONTROL

During the period, the following changes in ownership of subsidiaries occurred that did not result in a loss of control. There was no gain or loss recognised on these transactions.

(i) Retail Direct Property 27

On 24 July 2013, FDC 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 Victoria (VIC).

(ii) Retail Direct Property 10

On 24 July 2013, FDC acquired all the externally held units in Retail Direct Property 10 and Retail Direct Property 10 Unit Trust (collectively RDP 10) under the Syndicate Flexible Exit Mechanism (FEM) provisions in the RDP syndicate's constitution, which resulted in FDC owning 100% of the units in RDP 10. The total cash consideration paid was $20.8 million. As a result of the acquisition of all the units, FDC now consolidates RDP 10. RDP 10 owns Maitland Hunter Mall and 50% of Lennox, both are located in New South Wales (NSW).

(iii) Retail Direct Property 37

On 22 August 2013, FDC acquired the remaining externally held units in Retail Direct Property 37 (RDP 37), a vehicle already consolidated by the Group. The total cash consideration paid was $19.5 million. As a result of the acquisition of all the external units in RDP 37, FDC's ownership in RDP 37 increased from 56% to 100%. RDP 37 owns Albury and Monier Village which are located in NSW and QLD respectively.

(iv) Retail Direct Property 26

On 31 October 2013, FDC acquired the remaining externally held units in Retail Direct Property 26 (RDP 26), a vehicle already consolidated by the Group. The total cash consideration paid was $12.7 million. As a result of the acquisition of all the external units in RDP 26, FDC's ownership in RDP 26 increased from 86% to 100%. RDP 26 owns 100% of Maddington located in WA, Indooroopilly in QLD and Tweed Mall in NSW.

10. 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 $5.6 million have been arranged by the Group to guarantee obligations relating to the corporate office leased at 35 Collins Street, Melbourne Victoria and the 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 $15.6 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 RDP syndicates, FDC has provided exit mechanisms to investors at the then net asset backing of the relevant fund.

RDP syndicates managed by FDC have fixed investment periods. The constitutions of certain RDP 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 RDP syndicates 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 Backing. In the event that one investor puts their units to FDC, then the FEM provides FDC the right to call (buy) all remaining units in Syndicate at the then Net Asset Backing . In the 12 months to 31 December 2014, FDC may be obligated to acquire up to $57 million of externally owned units in syndicates (based on 31 December 2013 Net Asset Backing).

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11. EVENTS OCCURRING AFTER THE END OF THE REPORTING PERIOD

Restructure of facilities on 31 January 2014

In executing on the FDC debt strategy, FDC finalised the restructure of its existing core debt by increasing the facility from $1.450 billion to $1.555 billion, comprising:

- $480 million maturing in November 2015;
- $300 million maturing in January 2017;
- $375 million maturing in November 2017; and
- $400 million maturing in November 2018.

There were no changes to financial covenants.

Except for the matters discussed above, no other matter or circumstance has arisen in the interval between 31 December 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 half-year financial statements and notes of Federation Centres (the Group) set out on pages 1 to 36 are in accordance with the *Corporations Act 2001*, including:

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

   (ii) giving a true and fair view of the Group's financial position as at 31 December 2013 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the half-year ended on that date; and

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

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

Bob Edgar

Chairman

Signed in Melbourne, 20 February 2014

Building a better working world

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To the members of Federation Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Federation Centres (the 'Group'), which comprises the balance sheets as at 31 December 2013, the income statements, the statements of comprehensive income, statements of changes in equity and cash flow statements for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising Federation Limited (the 'Company') and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Federation Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

a) giving a true and fair view of the Group's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and

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

Ernst & Young

Ernst & Young

B R Meehan

B R Meehan
Partner
Melbourne
20 February 2014

Appendix 4D

Half-year Report

Name of entity

Federation Limited comprising **Federation Centres Trust No. 1, Federation Centres Trust No. 2** and **Federation Centres Trust No. 3.**

ABN or equivalent company reference	Half yearly *(tick)*	Final *(tick)*	Half-year ended ('current period')
90 114 757 783	ü		**31 December 2013** (Previous corresponding half-year: 31 December 2012)

Results for announcement to the market

	31.12.13 $'000	**Restated 31.12.12 [1] $'000**	**% Change**
Revenue	268,690	269,347	(0.2)
Net profit attributable to securityholders of Federation Centres	226,663	115,911	95.5
Underlying earnings [2]	118,809	106,179	11.9
Net tangible assets per security ($)	2.30	2.22	

Please refer to the Review of operations within the Directors' report for commentary on the results.

(1) From 1 July 2013, FDC adopted AASB 10 *Consolidated Financial Statements* which replaced AASB 127 *Separate and Consolidated Financial Statements*. AASB 10 requires FDC to consolidate additional Retail Direct Property syndicates that were not consolidated under AASB 127 as FDC did not control the majority of the voting rights in the syndicate. FDC is required to adopt AASB 10 retrospectively. Therefore the comparatives for 31 December 2012 and 30 June 2013 have been shown as restated. The impact of adopting AASB 10 on the line items affected in the Income Statement and Balance Sheet has been fully disclosed in Note 2 of Federation Limited's 31 December 2013 Half-Year Financial Report. The restatements made had no impact on the net assets or net results of FDC.

(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 3 Segment Information of Federation Limited's 31 December 2013 Half-Year Financial Report.

Dividends (distributions)	Amount per security (distribution from the Trusts)	Amount per security (dividend from the Company)	Record date for determining entitlements to the dividend (in the case of a trust, distribution)
Interim distribution	7.5 cents	-	31 December 2013
Previous corresponding period	6.6 cents	-	31 December 2012

Control gained over entities having material effect

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

Loss of control of entities having material effect

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

Dividends (in the case of a trust, distributions)

Date the dividend (distribution) is payable	28 February 2014
Record date to determine entitlements to the dividend (distribution) (i.e., on the basis of proper instruments of transfer received by 5.00 pm if securities are not CHESS approved, or security holding balances established by 5.00 pm or such later time permitted by SCH Business Rules if securities are CHESS approved)	31 December 2013
If it is a final dividend, has it been declared?	N/A

Amount per security

	Amount per security	Franked amount per security at 30% tax	Amount per security of foreign source dividend
Interim dividend:			
Current year			
Distribution from Trust	7.5¢	-¢	-¢
Dividend from Company	-¢	-¢	-¢
Total distribution	7.5¢	-¢	-¢
Previous year			
Distribution from Trust	6.6¢	-¢	-¢
Dividend from Company	-¢	-¢	-¢
Total distribution	6.6¢	-¢	-¢

There are no dividend or distribution plans currently in operation.

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

Group's share of associates' and joint venture entities':	**Current period $A'000**	Previous period $A'000
Profit (loss) from ordinary activities before tax	2,902	14,862
Income tax on ordinary activities	**-**	-
Profit (loss) from ordinary activities after tax	**2,902**	**14,862**
Extraordinary items net of tax	**-**	-
Net profit (loss)	**2,902**	**14,862**
Adjustments	**-**	-
Share of net profit (loss) of associates and joint venture entities	**2,902**	**14,862**

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%	**-**	4,968
Lutwyche [2]	**n/a**	50%	**-**	1,201
Emerald Market [3]	**n/a**	50%	**(137)**	(114)
Emerald Village [3]	**n/a**	50%	**699**	(310)
Roselands [1]	**n/a**	50%	**-**	4,856
Tuggeranong Hyperdome	**50%**	50%	**397**	2,015
Victoria Gardens Shopping Centre	**50%**	50%	**1,943**	2,246
			2,902	14,862

[1] Consolidated from 5 October 2012

[2] Consolidated from 17 December 2012

[3] Consolidated from 20 December 2013

Compliance statement

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

(Tick one)

¨	The accounts have been audited.	þ	The accounts have been subject to review
¨	The accounts are in the process of being audited or subject to review.	¨	The accounts have *not* yet been audited or reviewed

The entity has a formally constituted audit committee.

Sign here:

Date: 20 February 2014

Print name: Bob Edgar (Chairman)