

Company Number: 574728

HAMMERSON GROUP MANAGEMENT LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
Year ended 31 December 2014

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HAMMERSON GROUP MANAGEMENT LIMITED

REPORT OF THE DIRECTORS

Year ended 31 December 2014

1. PRINCIPAL ACTIVITIES

The principal activities of the Company are the management and administration of the property development and investment activities of Hammerson plc and its subsidiaries in the United Kingdom, together with co-ordination and provision of other business services for Hammerson plc and its subsidiaries in the UK and overseas. The Directors do not anticipate any significant change in the principal activities in the foreseeable future.

2. RESULTS AND DIVIDENDS

The profit for the year after tax was £4,401,000 (2013: £6,509,000). The Directors do not recommend the payment of a dividend for the year (2013: £nil).

3. DIRECTORS

- (a) Mr. D.J. Atkins, Mr. P.W.B. Cole and Mr. N.T. Drakesmith were Directors of the Company throughout the year.
- (b) In accordance with the Articles of Association of the Company, the Directors are not required to retire by rotation.
- (c) No Director has any interests in contracts entered into by the Company.

4. SECRETARY

Hammerson Company Secretarial Limited was Secretary of the Company throughout the year.

5. INDEMNITY

The Company's ultimate parent company, Hammerson plc, has made qualifying third party indemnity provisions for the benefit of the Company's Directors which were in place throughout the year and which remain in place at the date of this report.

6. AUDITOR

Deloitte LLP shall be deemed to be re-appointed as auditor for a further term under the provisions of section 487(2) of the Companies Act 2006.

Deloitte LLP have indicated their willingness to continue in office

HAMMERSON GROUP MANAGEMENT LIMITED

REPORT OF THE DIRECTORS Year ended 31 December 2014


7. PROVISION OF INFORMATION TO THE AUDITOR

Each of the persons who is a Director of the Company at the date of approval of this report has confirmed that:

- (a) so far as he is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- (b) he has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418(2) of the Companies Act 2006.

By order of the Board



B. Lees
For and on behalf of
Hammerson Company Secretarial Limited
acting as Secretary

Date: 23 September 2015

Registered Office:
Kings Place
90 York Way
London, N1 9GE
Registered in England and Wales No: 574728

HAMMERSON GROUP MANAGEMENT LIMITED

STRATEGIC REPORT

Year ended 31 December 2014

BUSINESS REVIEW AND FUTURE PROSPECTS

It is expected that the Company will continue to manage and administer the property development and investment activities of Hammerson plc and its subsidiaries in the United Kingdom.

The Directors have considered the use of the going concern basis in the preparation of the financial statements as at 31 December 2014 and concluded that it was appropriate. More information is provided in note 1 to the financial statements.

The Company incurs costs on behalf of fellow group companies and recharges these companies on a cost plus margin basis. Consequently the current economic conditions are unlikely to have a significant impact on the Company.

The Directors consider the following measures to be the key performance indicators for the Company: fee income and profit on ordinary activities before taxation.

During 2014 the Company produced fee income of £46,554,000 from Hammerson Group subsidiaries and certain joint ventures (2013: £45,341,000). The increase in fee income is mainly related to the methodology by which the management fee is calculated; the annual charge is based on eleven months actual costs and grossed up for a full year.

The profit on ordinary activities before taxation was £4,401,000 (2013: £6,509,000).

Signed on behalf of the Board of Directors



N. T. Drakesmith
Director
23 September 2015

HAMMERSON GROUP MANAGEMENT LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the annual report and financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

HAMMERSON GROUP MANAGEMENT LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SOLE MEMBER OF HAMMERSON GROUP MANAGEMENT LIMITED

We have audited the financial statements of Hammerson Group Management Limited for the year ended 31 December 2014, which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses, the reconciliation of movements in shareholder's funds and the related notes 1 to 17. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's sole member in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's member those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's sole member, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

HAMMERSON GROUP MANAGEMENT LIMITED

**INDEPENDENT AUDITOR'S REPORT TO THE SOLE MEMBER OF HAMMERSON GROUP
MANAGEMENT LIMITED (CONTINUED)**

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Ian Waller

Ian Waller (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

Date: 25 September 2015

HAMMERSON GROUP MANAGEMENT LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2014

	Notes	2014 £'000	2013 £'000
Fees receivable from group companies		46,554	45,341
Other operating expenses (net)	2(a)	<u>(41,145)</u>	<u>(39,452)</u>
Operating profit		5,409	5,889
Net finance income	4	595	620
Other exceptional items	5	<u>(1,603)</u>	<u>-</u>
Profit on ordinary activities before taxation		4,401	6,509
Taxation	6(a)	<u>-</u>	<u>-</u>
Profit for the financial year	12	<u>4,401</u>	<u>6,509</u>

All amounts relate to continuing activities, apart from other exceptional items.

HAMMERSON GROUP MANAGEMENT LIMITED

BALANCE SHEET

As at 31 December 2014

	Notes	2014 £'000	2013 £'000
Tangible fixed assets			
Fixtures, fittings and equipment	7	5,674	4,967
Current assets			
Debtors: amounts falling due within one year	8	58,073	52,513
Debtors: amounts falling due after one year	8	-	849
Cash and deposits		391	-
		58,464	53,362
Current liabilities			
Creditors: amounts falling due within one year	9	(14,094)	(8,133)
Net current assets		44,370	45,229
Total assets less current liabilities		50,044	50,196
Creditors: amounts falling due after one year	10	(218)	(1,103)
Net assets excluding pension liability		49,826	49,093
Pension liability	14(c)	(28,689)	(22,309)
Net assets including pension liability		21,137	26,784
Capital and reserves			
Called up share capital	11	17,000	17,000
Profit and loss account	12	(4,526)	3,491
Other reserves	12	8,663	6,293
Shareholder's funds		21,137	26,784

These financial statements were approved by the Board of Directors on 23 September 2015 and authorised for issue on 23 September 2015.

Signed on behalf of the Board of Directors



N. T. Drakesmith

Director

Company Number: 574728

HAMMERSON GROUP MANAGEMENT LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 December 2014

	2014	2013
	£'000	£'000
Profit for the financial year	4,401	6,509
Actuarial losses on pension schemes	(11,820)	(3,919)
Total recognised gains and losses for the year	(7,419)	2,590

RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

For the year ended 31 December 2014

	2014	2013
	£'000	£'000
Profit for the financial year	4,401	6,509
Share-based employee remuneration	4,723	3,556
Cost of shares awarded to employees	(3,124)	(5,466)
Proceeds on award of shares to employees	173	145
Actuarial losses on pension schemes	(11,820)	(3,919)
Net (decrease)/increase in shareholder's funds	(5,647)	825
Shareholder's funds at 1 January	26,784	25,959
Shareholder's funds at 31 December	21,137	26,784

HAMMERSON GROUP MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2014

1. ACCOUNTING POLICIES

The following principal accounting policies have been applied consistently throughout the current and preceding year.

(a) Basis of accounting

The financial statements have been prepared under the historical cost convention, in accordance with all applicable law and United Kingdom accounting standards.

(b) Going concern

The Directors have reviewed the current and projected financial position of the Company, making reasonable assumptions about the future trading performance and these are explained in the Strategic Report. After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

(c) Cash flow statement

As the Company is a wholly owned subsidiary it has taken exemption under the terms of Financial Reporting Standard 1 (revised 1996) from preparing a cash flow statement, as its cash flows are included in the consolidated financial statements of Hammerson plc, which are publicly available.

(d) Fixed Assets

Fixtures, fittings, and equipment are stated at cost less accumulated depreciation. Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful life, which is generally between three and five years, or in the case of leasehold improvements, the lease term.

(e) Employee benefits

Pension costs

For defined benefit schemes the amounts charged to the profit and loss account are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

The main defined benefit scheme is funded, with the assets of the scheme held separately from those of the Company, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the balance sheet

HAMMERSON GROUP MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2014

1. ACCOUNTING POLICIES (continued)

Separate from the main scheme, a single retired member has an unapproved unfunded arrangement. The relevant liabilities are calculated using consistent methodology and the same assumptions as that of the main scheme. An accurate valuation is undertaken at each balance sheet date. The resulting defined benefit liability, net of the related deferred tax, is combined with the relevant figure of the main scheme.

Obligations for contributions to defined contribution pension plans are charged to the profit and loss account as incurred.

Share-based employee remuneration

Share-based employee remuneration is determined with reference to the fair value of the equity instruments at the date at which they are granted and charged to the profit and loss account over the vesting period on a straight-line basis. The fair value of share options is calculated using the binomial option pricing model and is dependent on factors including the exercise price, expected volatility, option life and risk-free interest rate. The fair value of the market-based element of the Long Term Incentive Plans ('LTIP') is calculated using the Monte Carlo Model and is dependent on factors including the expected volatility, vesting period and risk-free interest rate. FRS 20 Share-based Payment has been applied to share options granted.

(f) Taxation

Current tax is the expected tax payable on the taxable income for the year, using tax rates applicable at the balance sheet date, together with any adjustment in respect of previous years.

In accordance with Financial Reporting Standard FRS 19 "Deferred Tax", deferred tax is provided in respect of all timing differences that may give rise to an obligation to pay more or less tax in the future.

(g) Revenue recognition

Fees receivable from group companies represents amounts charged, or chargeable to, group companies for the provision of management and other services and is recognised on an accruals basis.

HAMMERSON GROUP MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2014

2. OTHER OPERATING EXPENSES (NET)

	2014 £'000	2013 £'000
(a) Other operating expenses (net)		
Auditor's remuneration:		
Fees payable to Company's auditor for the audit of the Company's annual accounts	5	5
Non-audit fees	45	26
Depreciation (note 7)	1,114	1,148
Staff costs (note 2(b))	24,618	25,981
Payment for loss of office	1,669	441
Other costs	14,332	12,832
Other operating income	(638)	(981)
	41,145	39,452
(b) Staff costs (including Directors):	2014 £'000	2013 £'000
Wages and salaries	13,273	12,766
Performance-related bonuses:		
- payable in cash	3,834	4,355
- payable in shares	1,107	820
	4,941	5,175
Other share-based remuneration	3,616	2,736
Social security costs	2,853	3,178
Other pension costs	(65)	2,126
	24,618	25,981
(c) The average monthly number of employees (including Executive Directors) was:	2014 Number	2013 Number
Administrative staff	150	148

HAMMERSON GROUP MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2014

3. DIRECTORS' REMUNERATION AND TRANSACTIONS

	2014 £'000	2013 £'000
Directors' remuneration		
Emoluments	<u>4,276</u>	<u>5,582</u>

Directors' emoluments relate to services performed for the Group as a whole, which are not apportioned directly to Hammerson plc subsidiaries. During the year ended 31 December 2014, no payments were made to Directors for expenses other than those incurred wholly and directly in the course of their employment.

Mr. N. T. Drakesmith joined the Company on 6 June 2011 and was appointed a Director on 30 June 2011. As disclosed last year, Mr. N. T. Drakesmith also benefited from a recruitment share award, which is disclosed in note 13.

Pensions

Mr. N. T. Drakesmith, in accordance with his service agreement, is entitled to receive an allowance ('Pension Choice') to be paid either (i) as an employer contribution to the Company's defined contribution pension plan or (ii) as an employer contribution to a SIPP personal pension plan or (iii) as a salary supplement or (iv) a combination of all three, to a limit of 20% of his base salary. The pension supplement is non-pensionable and does not qualify for Annual Incentive Plan ('AIP') purposes or entitlements under the LTIP. Mr. N. T. Drakesmith elected for part of his Pension Choice to be paid into a SIPP and part as a salary supplement, subject to Income Tax and National Insurance contributions. The amount paid by the Company for the year ended 31 December 2014 was £81,200 (2013: £80,000). The defined benefit pension scheme was closed to future accrual on 30 June 2014.

	2014 Number	2013 Number
The number of Directors who:		
Are members of a defined benefit pension scheme	<u>2</u>	<u>2</u>

	2014 £'000	2013 £'000
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Remuneration of the highest paid director:

Emoluments	<u>1,708</u>	<u>2,676</u>
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The highest paid director in the current financial year is Mr. D.J. Atkins, who is a member of the Company's defined benefit pension scheme. His accrued pension entitlement at the end of 2014 was £984,000 (2013: £920,000). For the year ended 31 December 2014, Mr. D.J. Atkins received a cash supplement of £177,214 (2013: £97,829) for pension benefits that exceeded the annual allowance of £40,000. This supplement in lieu of pension is subject to Income Tax and National Insurance Contributions and does not qualify for AIP purposes or entitlements under the LTIP.

HAMMERSON GROUP MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2014

4. NET FINANCE INCOME

	2014 £'000	2013 £'000
Interest receivable on loan to ultimate parent company	320	393
Other interest receivable	-	8
Net interest receivable on pension scheme (note 14(d))	280	225
Bank and other interest payable	(5)	(6)
	<u>595</u>	<u>620</u>

5. OTHER EXCEPTIONAL ITEMS

During 2014, the Company restructured its occupational lease at 10 Grosvenor Street, London resulting in a one-off payment of £1.6 million to settle lease liabilities. The lease restructuring was associated with the move of the Hammerson Group's headquarters to Kings Cross which was completed in 2015.

6. TAXATION

(a) Tax charge

	2014 £'000	2013 £'000
Current tax charge	<u>-</u>	<u>-</u>

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax for the year, of 21.5% (2013: 23.25%). The differences are reconciled below:

	2014 £'000	2013 £'000
Profit on ordinary activities before tax	<u>4,401</u>	<u>6,509</u>
Profit at UK corporation tax rate of 21.5% (2013: 23.25%)	946	1,513
Effect of:		
Disallowable expenses	(17)	(17)
Timing differences	(1,063)	37
Group relief	<u>134</u>	<u>(1,533)</u>
Total current tax	<u>-</u>	<u>-</u>

HAMMERSON GROUP MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2014

6. TAXATION (continued)

(c) Deferred tax

At 31 December 2014 the Company had a potential deferred tax asset of £3,900,000 (2013: £5,220,000), of which £3,900,000 related to timing differences on pensions (2013: £5,100,000) and £nil on share options (2013: £120,000). This potential asset has not been recognised because of uncertainty over the availability of future suitable profits against which these deductions can be utilised.

7. FIXTURES, FITTINGS AND EQUIPMENT

	Cost £'000	Depreciation £'000	Net book value £'000
At 1 January 2014	10,888	(5,921)	4,967
Additions	1,821	-	1,821
Charge for the year	-	(1,114)	(1,114)
At 31 December 2014	12,709	(7,035)	5,674

8. DEBTORS

	2014 £'000	2013 £'000
DEBTORS: FALLING DUE WITHIN ONE YEAR		
Amounts owed by ultimate parent company	35,421	33,294
Amounts owed by fellow subsidiary undertakings	19,596	16,286
Other debtors	772	1,253
Prepayments	2,284	1,680
	58,073	52,513
DEBTORS: FALLING DUE AFTER ONE YEAR		
Other debtors	-	849
	58,073	53,362

Amounts owed by the ultimate parent company bear interest at variable rates based on LIBOR. Amounts owed by fellow subsidiary undertakings are non-interest bearing.

HAMMERSON GROUP MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2014

9. CREDITORS: FALLING DUE WITHIN ONE YEAR

	2014 £'000	2013 £'000
Cash and deposits	-	1
Amounts owed to fellow subsidiary undertakings	2,716	624
Trade creditors	187	7
Other creditors	913	1,788
Accruals	10,278	5,713
	14,094	8,133

Amounts owed to fellow subsidiary undertakings are repayable on demand and are non-interest bearing.

10. CREDITORS: FALLING DUE AFTER ONE YEAR

	2014 £'000	2013 £'000
Other creditors	-	849
Accruals	218	254
	218	1,103

Creditors fall due as follows:

	2014 £'000	2013 £'000
Other creditors		
After five years	-	849
Accruals		
Between one and two years	108	148
Between two and five years	110	106
	218	254

11. CALLED UP SHARE CAPITAL

	2014 £'000	2013 £'000
Allotted, called up and fully paid:		
17,000,000 ordinary shares of £1. each	17,000	17,000

HAMMERSON GROUP MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2014

12. RESERVES

	Profit and loss account £'000	Other reserves £'000
Balance at 1 January 2014	3,491	6,293
Profit for the financial year	4,401	-
Share-based employee remuneration		
- Performance related bonuses payable in shares	-	1,107
- Other employee share-based remuneration	-	3,616
	-	4,723
Cost of shares awarded to employees	-	(3,124)
Transfer on award of shares to employees	(771)	771
Proceeds on award of shares to employees	173	-
Actuarial losses on pension schemes	(11,820)	-
Balance at 31 December 2014	(4,526)	8,663

13. SHARE-BASED EMPLOYEE REMUNERATION

Staff throughout Hammerson plc, including Executive Directors, participate in a performance-related bonus plan. Hammerson plc also operates a number of share plans under which employees, including Executive Directors, are eligible to participate. Details of these plans are set out below.

Cost of shares awarded to employees

The expense related to share-based employee remuneration is calculated in accordance with FRS 20 and the terms of the Hammerson Employee Share Ownership Plan ('the Plan') and is recognised in the profit and loss account within administration expenses (see note 2(b)). The corresponding credit is included in other reserves.

When share awards vest they are transferred by the Trustees of the Plan to employees as part of their remuneration. The cost of the shares is transferred from the ultimate parent company by inter-company transfer to other reserves. Should this not equal the credit previously recorded against other reserves, the balance is adjusted against the profit and loss account.

Annual Incentive Plan

The annual performance-related bonus operates under the AIP and is structured for Hammerson plc Executive Directors so that 60% of the bonus award is paid in cash and 40% is awarded in shares, subject to a two-year vesting period. From 2012, the share award has been made in the form of nil-cost options and, following vesting, there is a five-year exercise period.

HAMMERSON GROUP MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2014

13. SHARE-BASED EMPLOYEE REMUNERATION (continued)

The following table shows how the Executive Directors' AIP structure works.

AIP (BONUS) OUTCOME: FINANCIAL TARGETS

Performance measure	2014: target to achieve 100% bonus	2014 closing measurement	Level of payout
Adjusted EPS	24.2p	23.9p	75%
TPR	IPD + 2.5%	IPD + 1.1%	40%
NRI	3.5%	2.1%	30%
Cost Ratio	23.8%	23.4%	100%

The targets for each performance measure to achieve any bonus payout, and the percentage of maximum for the measure that such performance would achieve were:

- for EPS, 22.8p would pay 20%;
- for TPR, IPD +0.5% would pay 25%;
- for Growth in NRI, no bonus is payable until growth is greater than 1.5% from which point payment is pro-rated;
- for Cost Ratio, no bonus is payable until the group total operating costs are 24.4% as a percentage of income.

The Company financial targets, together with individual achievement against personal objectives resulted in an average payout to Executive Directors of approximately 65% (2013: 54%).

The following table details the performance conditions and composition of financial targets for the AIP.

Year of award	Maximum award potential	Proportion of award paid in cash	Proportion of award paid in shares	Weighting of performance measures	Composition of financial targets
2015 award (to be paid in 2016)	Up to 200% of salary	60%	40% subject to a two-year vesting period	70% for Group financial targets ¹	25% based on adjusted Group earnings per share 25% based on Total Property Return relative to IPD ³ 20% for Group operational targets
				30% for personal objectives ¹	
2014 award (paid in 2015)	Up to 200% of salary	60%	40% subject to a two-year vesting period	70% for Group financial targets ²	30% based on adjusted Group earnings per share 30% based on Total Property Return relative to IPD ⁴ 10% for Group operational targets ²
				30% for personal objectives ²	
2013 award (paid in 2014)	Up to 200% of salary	60%	40% subject to a two-year vesting period	70% for Group financial targets	30% based on adjusted Group earnings per share 30% based on Total Property Return relative to IPD ⁴ 10% for Group operational targets
				30% for personal objectives	

Notes

¹ AIP performance conditions and personal objectives for 2015 are commercially sensitive and accordingly are not disclosed. These will be reported on in the 2015 Annual Report.

² Details of the AIP outcome for 2014 are in the table at the top of this page.

³ IPD is the Investment Property Databank's aggregate full-year UK Retail Property (70%) and France Retail Property (30%) indexes.

⁴ IPD is the Investment Property Databank's UK Quarterly Index, annualised. From 2013, the metric has been adjusted from All Property to Retail Property only, to reflect Hammerson plc's new retail focus.

HAMMERSON GROUP MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2014

13. SHARE-BASED EMPLOYEE REMUNERATION (continued)

Long Term Incentive Plan

The Hammerson plc Remuneration Committee (the 'Remuneration Committee') reviews the structure of the LTIP awards, as well as the performance measures and conditions attached to the awards, on an annual basis to ensure that they continue to align closely with the business' strategic focus. Since 2011, the awards have incorporated a balance of relative and absolute measures, and the Remuneration Committee believes that this balance is still appropriate.

The structure of the 2015 awards remains the same as the 2014 awards. The comparator group for the Total Shareholder Return (TSR) measure focuses on major European retail real estate companies and the Total Property Return (TPR) measure compares performance against a retail only property index. With regard to the absolute performance measure, earnings per share (EPS) continue to align the interests of Executive Directors with those of shareholders. Details of the LTIP structure are set out below.

Year of grant	Level of award	Performance period	Performance measures	Weighting of performance measures	TSR Comparator group
2015	150% of salary	Four years	TSR TPR EPS	33.33% 33.33% 33.33%	Altarea, British Land, Capital and Regional, Intu Properties, Eurocommercial, Klepierre, Land Securities, London Metric, SEGRO, Shaftesbury, Unibail-Rodamco, New River Retail and the FTSE 100 Index. ¹
2014	100% of salary	Four years	TSR TPR EPS	33.33% 33.33% 33.33%	As for 2013. ²
2013	200% of salary	Four years	TSR TPR EPS	33.33% 33.33% 33.33%	Altarea, British Land, Capital and Regional, Intu Properties (previously called Capital Shopping Centres), Corio, Eurocommercial, IVG, Klepierre, Land Securities, London Metric, SEGRO, Shaftesbury, Unibail-Rodamco, Wereldhave and the FTSE 100 Index
2012	200% of salary	Four years	TSR TPR Absolute NAV	33.33% 33.33% 33.33%	As for 2011
2011 ³	150% of salary	Four years	TSR TPR Absolute NAV	33.33% 33.33% 33.33%	British Land, Capital and Regional, Capital Shopping Centres, Corio, Derwent London, Great Portland Estates, IVG, Klepierre, Land Securities, Quintain Estates, SEGRO, Shaftesbury, St Modwen Properties, Unibail-Rodamco and the FTSE 100 Index

Notes

¹ Corio will be excluded from the comparator group on the assumption that the takeover offer by Klepierre announced in July 2014, will proceed.

² Subsequent to publishing the 2013 Annual Report but prior to granting awards, IVG entered into insolvency. It was excluded from the comparator group when the awards were made.

³ In order to smooth the transition from a three-year performance period to a four-year performance period, an enhanced award of 300% of salary was made in 2011, with half of the award subject to a three-year performance period (which vested in 2014) and half subject to a four-year performance period (vesting in 2015). This avoided a vesting 'gap' in 2014 and, overall, results in only a modest reduction in potential awards vesting to Executive Directors in the three-year period from 2014 to 2016 (assuming a consistent level of performance is achieved). The second half of the award (i.e. 150% of salary) is shown above, as it remains outstanding and will, subject to performance, vest in 2015.

HAMMERSON GROUP MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2014

13. SHARE-BASED EMPLOYEE REMUNERATION (continued)

THE PERFORMANCE MEASURES

TSR Performance is measured over the four-year period from the date of grant, in comparison with a comparator group, including some European real estate companies.	TPR Performance is measured over the four financial years commencing with the year of grant and in comparison with a composite index comprising: <ul style="list-style-type: none"> - For awards granted from 2013: Investment Property Databank's UK Annual Retail Property Index and France Annual Retail Property Index. - For awards granted from 2009 to 2012: Investment Property Databank's UK Annual All Property Index and France Annual All Property Index. The relative composition of the indices may vary with each grant to ensure that it reflects the Company's portfolio.	EPS/Absolute NAV Performance is measured over the four-year period from 1 January in the year of grant, and is calculated with reference to the European Public Real Estate Association ('EPRA') Best Practices recommendations. <p>EPS (for awards granted from 2013).</p> The composition of the EPS measure may vary with each grant to ensure it reflects the Company's portfolio. From 2015, a blend of UK and French CPI will be used, whereas in 2012 to 2014 RPI was used. <p>Absolute NAV (for awards granted in 2011 and 2012).</p> <p>Calculated as adjusted shareholder's funds divided by the adjusted number of shares in issue.</p>
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THE PERFORMANCE CONDITIONS

TSR Vesting under the TSR performance measure is as follows:		TPR Vesting under the TPR performance measure is as follows:		EPS/Absolute NAV Vesting under the EPS performance measure for the 2015 awards is as follows:	
Less than TSR of median-ranked entity in comparator group	0%	Less than Index	0%	Less than CPI +3.0% p.a. growth	0%
Equal to TSR of median-ranked entity in comparator group	25%	Equal to Index	25%	Equal to CPI + 3.0% p.a. growth	25%
Equal to TSR of upper quartile-ranked entity in comparator group	100%	Index +0.5% (average) p.a.	55%	Equal to or more than CPI + 7.0% p.a. growth	100%
		Index +1.0% (average) p.a.	85%		
		Index +1.5% (average) p.a.	100%		
Vesting for intermediate performance between median and upper quartile-ranked entities is on a linear scale between 25% and 100%. For awards made from 2014 onwards interpolation is between the TSR of the median and upper quartile-ranked companies on a straight-line basis on performance of those positions between 25% and 100%.		Vesting for intermediate performance between these levels is pro-rata on a straight-line basis between 25% and 100%.		Vesting under the EPS performance measure for the 2013 and 2014 awards is as follows:	
				Less than RPI + 3.0% p.a. growth	0%
				Equal to RPI + 3.0% p.a. growth	25%
				Equal to or more than RPI + 7.0% p.a. growth	100%
Vesting under the TSR performance measure is subject to the Remuneration Committee's satisfaction that the Company's underlying performance has been satisfactory in comparison with that of the FTSE Real Estate sector.				Vesting under the Absolute NAV performance measure for the 2012 award is as follows:	
				Less than RPI + 3.0% p.a. growth	0%
				Equal to RPI + 3.0% p.a. growth	25%
				Equal to or more than RPI + 7.0% p.a. growth	100%
				Vesting for intermediate performance for all awards be pro-rated on a straight-line basis between 25% and 100%.	

HAMMERSON GROUP MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2014

13. SHARE-BASED EMPLOYEE REMUNERATION (continued)

All employee share schemes

Eligible UK employees may participate in the Hammerson plc Savings-Related Share Option Scheme ('Sharesave') (details of which are provided on the next page) and the Share Incentive Plan ('SIP'), and the Executive Directors will be entitled to participate on those same terms. Maximum participation levels for all staff, including Executive Directors are set by relevant UK legislation.

Restricted Share Plan

Certain employees of the Company receive awards under a Restricted Share Plan ('RSP'), which provides an opportunity for these employees to build up a shareholding in Hammerson plc. Under the RSP, share awards vest, subject to continued employment, on the third anniversary of grant. Executive Directors do not participate in the RSP.

Recruitment Share Award

As disclosed last year, the Remuneration Committee made two share-based awards to Mr. N.T. Drakesmith when he was appointed in 2011, to facilitate his recruitment as Chief Financial Officer of Hammerson plc. The awards were made to compensate him for the loss of awards at his previous employer. The first tranche vested in 2012. The details of the second tranche, which was made on materially the same terms as the 2011 LTIP award, with a three-year performance period, is shown below:

	Award date	Awards held at 1 January 2014	Notional dividend shares accrued in 2014	Exercised/ vested in 2014	Lapsed/ forfeited in 2014
Second Tranche ¹	6 June 2011	90,561	1,661	22,558	69,664

¹ Awards/Shares in Hammerson plc

The second tranche of awards was made on 6 June 2011 at a market price of 478.00 pence per share.

HAMMERSON GROUP MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2014

13. SHARE-BASED EMPLOYEE REMUNERATION (continued)

Share options

At 31 December 2014, the following options granted to staff remained outstanding under the Company's Executive Share Option Scheme:

Expiry year	Exercise price (pence)	Number of ordinary shares of 25p each
2015	583	14,449
2016	839	88,486
		<hr/>
		102,935

Eligible employees of Hammerson plc may participate in the Company's Savings-related Share Option Scheme by choosing to enter into one or more contracts for a three or five year term and save a fixed amount from £5 to £250 each month for three years (for a three year contract) or five years (for a five year contract). For contracts entered into prior to 2013, a seven year term was also available. At the end of the contract, employees may exercise an option to purchase shares in the Company at the option price, which is set at the beginning of the contract at a discount of up to 20% of the prevailing share price at the time that invitation is launched.

At 31 December 2014 the following options granted to Executive Directors and staff remained outstanding under the Company's Savings-related Share Option scheme:

Expiry year	Exercise price (pence)	Number of ordinary shares of 25p each
2015	312.24 - 329.04	111,206
2016	217.2 - 420.0	72,500
2017	312.24 - 462.4	67,695
2018	368.0 - 420.0	12,438
2019	329.04 - 462.4	17,481
		<hr/>
		281,320

HAMMERSON GROUP MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2014

13. SHARE-BASED EMPLOYEE REMUNERATION (continued)

The number and weighted average exercise prices of share options under the ESOS are as follows:

	Number of options	2014 Weighted average exercise price £	Number of options	2013 Weighted average exercise price £
Outstanding at 1 January	167,732	7.26	205,211	7.06
Forfeited during the year	(24,089)	7.59	(18,779)	8.19
Exercised during the year	(40,708)	5.10	(18,700)	4.16
Outstanding and exercisable at 31 December	102,935	8.03	167,732	7.26

The weighted average share price at the date of exercise for share options exercised during the year was £5.83 (2013: £5.26). The options outstanding at 31 December 2014 had a weighted average remaining contractual life of 1 year (2013: 2 years). The number and weighted average exercise price of share options under the Company's Savings-related Share Option scheme are as follows:

	Number of options	2014 Weighted average exercise price £	Number of options	2013 Weighted average exercise price £
Outstanding at 1 January	316,708	3.39	316,173	3.23
Granted during the year	65,808	4.62	54,102	4.20
Forfeited during the year	(4,006)	3.64	(16,575)	3.72
Expired during the year	(16,972)	3.56	(9,781)	3.19
Exercised during the year	(80,218)	3.00	(27,211)	3.00
Outstanding at 31 December	281,320	3.78	316,708	3.39

The weighted average share price at the date of exercise for share options exercised during the year was £5.80 (2013: £5.15). No options outstanding under the Company's Savings-related Share option scheme were exercisable at 31 December 2014 or 31 December 2013. The weighted average fair value of options granted during the year was £1.56 (2013: £1.30).

HAMMERSON GROUP MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2014

13. SHARE-BASED EMPLOYEE REMUNERATION (continued)

At 31 December 2014, the following shares remained outstanding under the RSP and LTIP:

	Number of Hammerson plc ordinary shares of 25p each Restricted Share Plan		Long Term Incentive Plan	
	2014	2013	2014	2013
Outstanding at 1 January	901,194	1,002,236	2,832,739	2,778,141
Awarded during the year	258,244	303,790	356,892	766,408
Notional dividend shares accrued during the year	25,651	36,927	72,363	79,578
Vested during the year	(314,224)	(351,325)	(89,565)	(648,466)
Forfeited during the year	(147,708)	(90,434)	-	-
Lapsed during the year	-	-	(514,571)	(142,922)
Outstanding at 31 December	723,157	901,194	2,657,858	2,832,739

Year of grant	Number of Hammerson plc ordinary shares of 25p each Restricted Share Plan		Long Term Incentive Plan	
	2014	2013	2014	2013
2011	-	311,251	600,988	1,179,503
2012	261,618	301,553	889,928	866,268
2013	232,940	288,390	806,586	786,968
2014	228,599	-	360,356	-
	723,157	901,194	2,657,858	2,832,739

14. PENSIONS

- (a) The Company operates two defined benefit pension schemes; an approved funded arrangement, the Hammerson Group Management Limited Pension & Life Assurance Scheme ('the Scheme') and an unapproved unfunded arrangement.

The Scheme was closed to new entrants on 31 December 2002, and was closed to future accrual for all participating employees on 30 June 2014, which led to a curtailment gain of £2.8 million.

In addition, the Company operates the UK funded approved Group Personal Pension Plan which is a defined contribution pension scheme. The Company's total cost for the year relating to the defined contribution pension scheme was £1,886,000 (2013: £924,000).

- (b) FRS17 disclosures

The FRS17 calculations have been carried out by an independent qualified actuary and relate to the Scheme.

HAMMERSON GROUP MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2014

14. PENSIONS (continued)

(c) The amounts recognised in the balance sheet are as follows:

	2014 £'000	2013 £'000
Fair value of scheme assets	61,892	58,375
Present value of funded obligations	<u>(89,418)</u>	<u>(79,614)</u>
Deficit	(27,526)	(21,239)
Present value of unfunded benefits	<u>(1,163)</u>	<u>(1,070)</u>
Net liability	<u>(28,689)</u>	<u>(22,309)</u>

(d) The amounts recognised in the profit and loss account are as follows:

Defined benefit pension schemes

	2014 £'000	2013 £'000
Current service cost	538	1,183
Past service cost	339	19
Curtailment gain	(2,828)	-
Interest cost	3,656	3,290
Expected return on plan assets	(3,936)	(3,515)
Net interest receivable	<u>(280)</u>	<u>(225)</u>
Total	<u>(2,231)</u>	<u>977</u>
Actual return on scheme assets (%)	4.68%	6.44%

(e) Changes in the present value of the defined benefit obligation are as follows:

Defined benefit pension schemes

	2014 £'000	2013 £'000
Opening defined benefit obligation	80,684	73,967
Current service cost	538	1,183
Past service cost	339	19
Curtailment gain	(2,828)	-
Interest cost	3,656	3,290
Actuarial losses	10,635	3,949
Benefits paid	<u>(2,443)</u>	<u>(1,724)</u>
Closing defined benefit obligation	<u>90,581</u>	<u>80,684</u>

HAMMERSON GROUP MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2014

14. PENSIONS (continued)

- (f) Changes in the fair value of scheme assets (excluding any AVC's) are as follows:

Defined benefit pension schemes

	2014 £'000	2013 £'000
Opening fair value of scheme assets	58,375	55,017
Expected return	3,936	3,515
Actuarial (losses)/gains	(1,185)	30
Contributions by employer	3,160	1,489
Benefits paid	(2,394)	(1,676)
	61,892	58,375

- (g) The Company is expected to make regular contributions totalling £2,500,000 to the defined benefit pension scheme in the next financial year.
- (h) The major categories of scheme assets as a percentage of total scheme assets are as follows:

	2014	2013
Target return funds:		
Blackrock – Dynamic Diversified Growth Fund	30%	30%
Newton – Real Return Fund	25%	24%
Newton – Global Dynamic Bond Fund	10%	10%
Standard Life – Global Absolute Return Strategies	35%	36%

- (i) Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	2014	2013
Discount rate on plan liabilities at 31 December	3.60%	4.60%
Expected return on plan assets at 31 December	n/a	6.70%
Future salary increases	n/a	3.90%
Future pension increases	3.10%	3.40%
Inflation assumption (RPI)	3.10%	3.40%
Proportion of employees opting for early retirement	0.00%	0.00%
Proportion of employees withdrawing each year	0.00%	0.00%
Proportion of pension taken as a lump sum	25.00%	25.00%
Mortality assumptions	SAPS Light CMI 1.0%	SAPS Light CMI 1.0%
Life expectancy of a member at age 60		
Male Currently aged 60	28.5	28.4
Male Currently aged 40	30.0	29.9
Female Currently aged 60	29.8	29.7
Female Currently aged 40	31.4	31.3

HAMMERSON GROUP MANAGEMENT LIMITED

NOTES TO THE ACCOUNTS Year ended 31 December 2014

14. PENSIONS (continued)

(j) Amounts for the current and previous four years are as follows:

Defined benefit pension schemes

	Dec 14 £'000	Dec 13 £'000	Dec 12 £'000	Dec 11 £'000	Dec 10 £'000
Defined benefit obligation	(90,581)	(80,684)	(73,967)	(71,755)	(66,935)
Scheme assets	61,892	58,375	55,017	51,447	51,069
Deficit (note 14(c))	(28,689)	(22,309)	(18,950)	(20,308)	(15,866)
Experience adjustments on scheme liabilities (£'000)*	1,161	425	(1,107)	25	(488)
Percentage of scheme liabilities (%)*	1	1	(1)	-	(1)
Experience adjustments on scheme assets (£'000)**	(1,185)	30	378	(3,635)	811
Experience adjustments on scheme assets (%)**	(2)	-	1	(7)	2

* Positive numbers represent increases to the liabilities.

** Positive numbers represent increases to the assets.

15. RELATED PARTY DISCLOSURE

The Company has taken advantage of the exemption available to wholly owned subsidiary undertakings under Financial Reporting Standard 8, "Related Party Disclosures", not to disclose details of all of its related party transactions with other group companies. In the opinion of the Directors there are no other related party transactions to be disclosed in the current or preceding financial year.

16. ADVANCES, CREDIT AND GUARANTEES

The Company did not grant any credits, advances or guarantees of any kind to its Directors during the year.

17. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

At 31 December 2014, the Company's ultimate and immediate parent company was Hammerson plc, which is registered in England and Wales and is the largest and smallest group to consolidate these financial statements.

The consolidated financial statements of the ultimate parent company, Hammerson plc, are available from that company's registered office, Kings Place, 90 York Way, London N1 9GE.