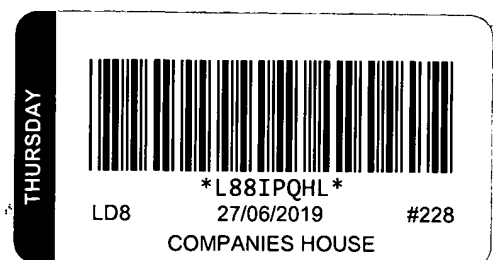


Company Number: 00574728

HAMMERSON GROUP MANAGEMENT LIMITED  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
Year ended 31 December 2018



# HAMMERSON GROUP MANAGEMENT LIMITED

## DIRECTORS' REPORT

Year ended 31 December 2018

### 1. PRINCIPAL ACTIVITIES AND FUTURE DEVELOPMENTS

The principal activities of Hammerson Group Management Limited ("the Company") are the management and administration of the property investment and development activities of Hammerson plc and its subsidiaries in the United Kingdom and Ireland, together with co-ordination and provision of other business services for Hammerson plc and its group entities both 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 £7,268,000 (2017: £8,635,000). The Directors do not recommend the payment of a dividend for the year (2017: £nil).

Net assets for the Company as at 31 December 2018 were £37,526,000 (2017: £29,653,000).

Further information relating to the business, its key risks and future prospects is provided in the Strategic Report on page 3.

### 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) Mr. P.W.B. Cole resigned as a Director of the Company on 30 April 2019.
- (c) Mr. M.R. Bourgeois was appointed as a Director of the Company on 30 April 2019.
- (d) In accordance with the Articles of Association of the Company, the Directors are not required to retire by rotation.
- (e) 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. INDEPENDENT AUDITORS

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

PricewaterhouseCoopers LLP have indicated their willingness to continue in office.

# HAMMERSON GROUP MANAGEMENT LIMITED

## DIRECTORS' REPORT

Year ended 31 December 2018

### 7. STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", 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 the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

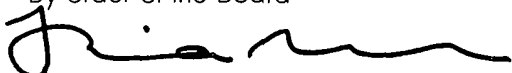
The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The Directors 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.

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the Board



J Crane  
For and on behalf of  
Hammerson Company Secretarial Limited  
acting as Secretary

Date: 25 June 2019

Registered Office:  
Kings Place  
90 York Way  
London, N1 9GE  
Registered in England and Wales No: 07784823

# HAMMERSON GROUP MANAGEMENT LIMITED

## STRATEGIC REPORT

Year ended 31 December 2018

### BUSINESS REVIEW AND FUTURE PROSPECTS

It is expected that the Company will continue to administer and support the property activities of Hammerson plc and its group entities in the United Kingdom, France and Ireland.

The Directors have considered the use of the going concern basis in the preparation of the financial statements as at 31 December 2018 and concluded that it was appropriate. More information is provided in note 1(c) to the financial statements.

The Company incurs costs on behalf of fellow group entities and recharges these 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 2018 the Company recognised fee income of £54,333,000 (2017: £60,317,000). The decrease in fee income reflects a reduction in net operating expenses incurred by the Company, principally associated with lower variable staff costs.

The profit on ordinary activities before taxation was £7,370,000 (2017: £8,730,000).

Signed on behalf of the Board of Directors



N. T. Drakesmith  
Director  
25 June 2019

## HAMMERSON GROUP MANAGEMENT LIMITED

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HAMMERSON GROUP MANAGEMENT LIMITED

### Report on the audit of the financial statements

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#### Opinion

In our opinion, Hammerson Group Management Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2018; the income statement, the statement of comprehensive income, and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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#### Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

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#### Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do

HAMMERSON GROUP MANAGEMENT LIMITED  
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HAMMERSON GROUP  
MANAGEMENT LIMITED (CONTINUED)

not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

*Strategic Report and Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

**Responsibilities for the financial statements and the audit**

*Responsibilities of the directors for the financial statements*

As explained more fully in the Statement of Directors' Responsibilities in respect of the Financial Statements set out on page 2, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

## HAMMERSON GROUP MANAGEMENT LIMITED

### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HAMMERSON GROUP MANAGEMENT LIMITED

#### *Auditors' responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

#### *Use of this report*

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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## Other required reporting

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### Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Paul Cragg (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London

25 June 2019

# HAMMERSON GROUP MANAGEMENT LIMITED

## INCOME STATEMENT

For the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Revenue*		54,333	60,317
Other operating expenses (net)	2(a)	<u>(47,112)</u>	<u>(51,169)</u>
Operating profit		7,221	9,148
Net finance income/(costs)	4	<u>149</u>	<u>(418)</u>
Profit on ordinary activities before tax		7,370	8,730
Tax charge	5(a)	<u>(102)</u>	<u>(95)</u>
Profit for the year		<u>7,268</u>	<u>8,635</u>

All amounts relate to continuing activities.

\* Following the adoption of IFRS15 Revenue from Contracts with Customers, a new financial statement line "Revenue" replaces the previously reported "Fee income". There has been no change in comparative figures. See note 1 for further details.



# HAMMERSON GROUP MANAGEMENT LIMITED

## BALANCE SHEET

As at 31 December 2018

	Note	2018 £'000	2017 £'000
Non-current assets			
Fixtures, fittings and equipment	6	<u>3,424</u>	<u>4,023</u>
		3,424	4,023
Current assets			
Receivables	7	83,716	81,257
Current liabilities			
Payables	8	<u>(13,007)</u>	<u>(16,018)</u>
Net current assets		<u>70,709</u>	<u>65,239</u>
Total assets less current liabilities		74,133	69,262
Non-current liabilities			
Payables	9	(354)	-
Pension liability	13(c)	<u>(36,253)</u>	<u>(39,609)</u>
Total non-current liabilities		<u>(36,607)</u>	<u>(39,609)</u>
Net assets		<u>37,526</u>	<u>29,653</u>
Capital and reserves			
Called up share capital	10	17,000	17,000
Other reserves	11	9,069	11,008
Retained earnings	11	<u>11,457</u>	<u>1,645</u>
Shareholders' equity		<u>37,526</u>	<u>29,653</u>

These financial statements were approved by the Board of Directors on 25 June 2019 and were signed on its behalf.



N. T. Drakesmith  
Director  
Company Number: 00574728

# HAMMERSON GROUP MANAGEMENT LIMITED

## STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	2018 £'000	2017 £'000
Profit for the year	7,268	8,635
Items that may not subsequently be recycled through the income statement		
Net actuarial gains on pension schemes (note 13(c))	<u>782</u>	<u>152</u>
Total comprehensive income for the year	<u>8,050</u>	<u>8,787</u>

## STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Called up share capital £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2017	17,000	12,854	(12,261)	17,593
Share-based employee remuneration				
- performance related bonus payable in shares	-	1,090	-	1,090
- other employee share-based remuneration	-	3,977	-	3,977
Total share-based employee remuneration	-	5,067	-	5,067
Cost of shares awarded to employees	-	(1,961)	-	(1,961)
Transfer on award of own shares to employees	-	(4,952)	4,952	-
Proceeds on award of shares to employees	-	-	167	167
Net actuarial gains on pension schemes	-	-	152	152
Profit for the year	-	-	8,635	8,635
Balance at 31 December 2017	17,000	11,008	1,645	29,653
Share-based employee remuneration				
- performance related bonus payable in shares	-	82	-	82
- other employee share-based remuneration	-	2,860	-	2,860
Total share-based employee remuneration	-	2,942	-	2,942
Cost of shares awarded to employees	-	(3,305)	-	(3,305)
Transfer on award of own shares to employees	-	(1,576)	1,576	-
Proceeds on award of shares to employees	-	-	186	186
Net actuarial gains on pension schemes	-	-	782	782
Profit for the year	-	-	7,268	7,268
Balance at 31 December 2018	<u>17,000</u>	<u>9,069</u>	<u>11,457</u>	<u>37,526</u>

# HAMMERSON GROUP MANAGEMENT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

### 1. ACCOUNTING POLICIES

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

#### (a) Basis of accounting

During 2018, the following relevant new and revised Standards and Interpretations have been adopted:

- IFRS 9 Financial Instruments, effective for accounting periods beginning on or after 1 January 2018
- IFRS 15 Revenue from Contracts with Customers, effective for accounting periods beginning on or after 1 January 2018.

#### *Impact of new and revised Standards*

##### IFRS 9 Financial Instruments

This standard deals with the classification, measurement and recognition of financial assets and liabilities and replaces the guidance in IAS39 Financial Instruments: Recognition and Measurement.

The standard also introduces an expected credit losses model, which replaces the incurred loss impairment model. Under IFRS9, entities are required to calculate expected credit losses on all financial assets, including intercompany loans within the scope of IFRS 9. The financial impact of the new standard is immaterial. For intercompany loans IFRS 9's full expected credit loss model is applied in calculating the relevant expected credit loss.

##### IFRS 15 Revenue from Contracts with Customers

The standard is based on the principle that revenue is recognised when control passes to a customer. The majority of the Company's income is from fees charged, or chargeable to, group companies for the provision of management and other services. This income is now within the scope of the new standard however there is no impact on recognition or measurement of the income. A new 'Revenue' line has been included within the statement of comprehensive income which replaces the previously presented 'Fee income'.

#### Basis of preparation

Hammerson Group Management Limited is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006. The nature of the Company's operations and its principal activities are set out on page 1. The address of the registered office is Kings Place, 90 York Way, London, N1 9GE.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101") as issued by the Financial Reporting Council.

The presentation currency used is sterling and amounts have been presented in round thousands ("£000s"). The financial statements have been prepared on a historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

## HAMMERSON GROUP MANAGEMENT LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2018

#### 1. ACCOUNTING POLICIES (continued)

##### (a) Basis of accounting (continued)

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 1(l).

##### Disclosure exemptions adopted

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101, No additional exemptions have arisen from the updates to IFRS 9 and IFRS 15:

- IFRS 7, 'Financial Instruments; Disclosures';
- Paragraphs 91 to 99 of IFRS 13 'Fair value measurement' disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities';
- Paragraph 38 of IAS1, 'Presentation of financial statements' - comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
- The following paragraphs of IAS 1, 'Presentation of financial statements':
  - 10(d) (statement of cash flows);
  - 16 (statement of compliance with all IFRS);
  - 38A (requirements for minimum of two primary statements, including cash flow statements);
  - 38B-D (additional comparative information)
  - 111 (cash flow statement information); and
  - 134 - 136 (capital management disclosures);
- IAS 7, 'Statement of cash flows';
- The requirements of paragraphs 45(b) and 46 to 52 IFRS 2 Shared-based Payment;
- Paragraphs 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS what has been issued but is not yet effective);
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation); and
- The requirements in IAS 24, 'Related party disclosures', to disclose related party transactions entered into between two or more members of a group.

The above disclosure exemptions have been adopted because equivalent disclosures are included in the consolidated financial statements of Hammerson plc into which the Company is consolidated. The financial statements of Hammerson plc can be obtained as described in note 15.

## HAMMERSON GROUP MANAGEMENT LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2018

#### 1. ACCOUNTING POLICIES (continued)

##### (b) Foreign currency

Transactions in foreign currencies are translated into sterling at exchange rates approximating to the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into sterling at the exchange rate ruling at that date. The principal exchange rate used to translate foreign currency-denominated amounts in the balance sheet is the rate at the end of the year, £1=€1.115 (2017: £1=€1.127) and for the income statement is the average rate, £1=€1.131 (2017: £1=€1.141).

##### (c) Going concern

The financial position of the Company is as set out in the balance sheet. The Directors have reviewed the current and projected financial position of the Company, making reasonable assumptions about the future trading performance. 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 financial statements.

##### (d) Fixed assets

Fixtures, fittings and equipment are stated at cost less accumulated depreciation. Depreciation is charged to the income statement 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 income statement 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 income statement if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The net interest cost is shown as a net amount within net finance costs. Actuarial gains and losses are recognised immediately in other comprehensive income.

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 related deferred tax, is presented on the face of the balance sheet.

## HAMMERSON GROUP MANAGEMENT LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2018

#### 1. ACCOUNTING POLICIES (continued)

##### (e) Employee benefits (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. A 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 income statement 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 income statement within other operating expenses (see note 2(b)) 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.

##### (f) Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference.

##### (g) Revenue

Revenue represents fee income charged, or chargeable to, group entities for the provision of management and other services and is recognised on an accruals basis.

##### (h) Net finance costs

Net finance costs include interest payable on borrowings and interest costs on pension schemes, net of interest receivable from group entities and interest receivable on funds invested.

## HAMMERSON GROUP MANAGEMENT LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2018

#### 1. ACCOUNTING POLICIES (continued)

(i) Loans receivable

Loans receivable are financial assets which are initially measured at fair value, plus acquisition costs and are subsequently measured at amortised cost, using the effective interest method, less any impairment.

(j) Borrowings

Borrowings are recognised initially at fair value, after taking account of any discount on issue and attributable transaction costs. Subsequently, borrowings are held at amortised cost, such that discounts and costs are charged to the statement of comprehensive income over the term of the borrowing at a constant return on the carrying value of the liability.

(k) Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are initially measured at transaction price (including transaction costs). Financial assets and liabilities are subsequently carried at amortised cost using the effective interest method. Financial assets and liabilities are only offset in the balance sheet when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Financial assets are derecognised when and only when:

- a) the contractual rights to the cash flows from the financial asset expire or are settled;
- b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party. Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

(l) Critical accounting policies and estimation uncertainties

In the application of the Company's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying value of assets and liabilities. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from those estimates. Estimates and the underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both the current and future periods.

The Company's critical judgements and areas of estimation uncertainty are as follows:

(a) Pension schemes:

The Company operates two defined benefit pension schemes. 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 by a qualified external actuary. The Directors ensure they are satisfied that the calculations and estimations in relation to the pension scheme are appropriate for the financial statements. Details of the Company's pension schemes are included in note 13.

# HAMMERSON GROUP MANAGEMENT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2018

### 1. ACCOUNTING POLICIES (continued)

#### (i) Critical accounting policies and estimation uncertainties (continued)

##### (b) Share-based remuneration:

The Company operates a number of share plans under which certain employees receive remuneration in shares of the Company's ultimate parent company, Hammerson plc. The accounting for share-based employee remuneration is complex and is explained in note 1(e) above. The Directors must ensure that they are satisfied that fair value calculations and recognition bases are appropriate for the financial statements.

### 2. OTHER OPERATING EXPENSES (NET)

	2018	2017
(a) Other operating expenses (net)	£'000	£'000
Auditors' remuneration:		
Fees payable to Company's auditor for the audit of the Company's annual financial statements	5	5
Non-audit fees relating to other assurance services	25	30
Depreciation (note 6)	1,059	1,663
Staff costs (note 2(b))	31,160	35,543
Payment for loss of office	311	228
Other operating costs	15,464	14,534
Other operating income	(912)	(834)
	<u>47,112</u>	<u>51,169</u>
(b) Staff costs (including Directors):	2018 £'000	2017 £'000
Wages and salaries	20,693	19,423
Performance-related bonuses:		
- payable in cash	2,521	5,371
- payable in shares	82	1,090
	2,603	6,461
Other share-based remuneration	2,860	3,977
Social security	3,282	4,104
Net pension expense (note 13(a))	1,722	1,578
	<u>31,160</u>	<u>35,543</u>
(c) The average monthly number of employees (including Executive Directors) was:	2018 Number	2017 Number
Administrative staff	<u>244</u>	<u>230</u>



# HAMMERSON GROUP MANAGEMENT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) Year ended 31 December 2018

### 3. DIRECTORS' REMUNERATION AND TRANSACTIONS

	2018 £'000	2017 £'000 Restated*
Directors' remuneration		
Emoluments	<u>2,969</u>	<u>4,336</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 2018, no payments were made to Directors for expenses other than those incurred wholly and directly in the course of their employment.

#### 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 self-invested personal pension ('SIPP') 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 2018 was £93,050 (2017: £89,450).

	2018 Number	2017 Number
The number of Directors who:		
Are members of a defined benefit pension scheme	<u>2</u>	<u>2</u>

	2018 £'000	2017 £'000 Restated*
Remuneration of the highest paid director:		
Emoluments	<u>1,155</u>	<u>1,795</u>

\*The total emoluments for the year ended 31 December 2017 have been restated from £6,464,000 to £4,336,000 and the remuneration of the highest paid director has been restated from £2,679,000 to £1,795,000. These restatements reflect a difference between the estimated Total Property Return element of the AIP and the final payments as the actual value was determined after the 2017 financial statements were finalised. Further details are provided on page 90 of the 2018 Hammerson plc Annual Report.

# HAMMERSON GROUP MANAGEMENT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2018

### 3. DIRECTORS' REMUNERATION AND TRANSACTIONS (continued)

The highest paid director in the current financial year was Mr. D.J. Atkins, who is a member of the Company's defined benefit pension scheme. His accrued pension entitlement at the end of 2018 was £1,902,000 (2017: £1,857,000). For the year ended 31 December 2018, Mr. D.J. Atkins received a cash supplement of £191,700 (2017: £186,975) in lieu of pension benefits. This supplement is subject to income tax and national insurance contributions and does not qualify for AIP purposes or entitlements under the LTIP.

### 4. NET FINANCE (INCOME)/COSTS

	2018 £'000	2017 £'000
Interest receivable on amounts owed by ultimate parent company	(859)	(664)
Foreign exchange translation gain	(273)	(93)
Net interest costs on pension scheme (note 13(c))	979	1,171
Bank and other interest payable	4	4
	<u>(149)</u>	<u>418</u>

### 5. TAXATION

#### (a) Tax charge

	2018 £'000	2017 £'000
Current tax charge	<u>102</u>	<u>95</u>

#### (b) Factors affecting total 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 19% (2017: 19.25%). The differences are reconciled below:

	2018 £'000	2017 £'000
Profit on ordinary activities before tax	<u>7,370</u>	<u>8,730</u>
Profit at UK corporation tax rate of 19% (2017: 19.25%)	1,400	1,681
Effect of:		
Disallowable expenses	61	20
Timing differences	52	99
Group relief	(1,513)	(1,800)
Overseas tax (Ireland branch profits)	<u>102</u>	<u>95</u>
Total tax	<u>102</u>	<u>95</u>

# HAMMERSON GROUP MANAGEMENT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2018

### 5. TAXATION (continued)

#### (c) Deferred tax

At 31 December 2018 the Company had a potential deferred tax asset of £6,163,000 (2017: £6,733,000) relating to timing differences on pensions. This potential asset has not been recognised because of uncertainty over the availability of future suitable profits against which these deductions can be utilised.

### 6. FIXTURES, FITTINGS AND EQUIPMENT

	Cost £'000	Depreciation £'000	Net book value £'000
At 1 January 2017	11,936	(6,988)	4,948
Additions	738	-	738
Charge for the year	-	(1,663)	(1,663)
At 31 December 2017	12,674	(8,651)	4,023
Additions	460	-	460
Disposals	(1,709)	1,709	-
Charge for the year	-	(1,059)	(1,059)
At 31 December 2018	11,425	(8,001)	3,424

### 7. RECEIVABLES: CURRENT ASSETS

	2018 £'000	2017 £'000
Amounts owed by ultimate parent company	54,452	52,426
Amounts owed by fellow group entities	24,993	23,895
Other receivables and prepayments	4,271	4,936
	<u>83,716</u>	<u>81,257</u>

All amounts shown under receivables fall due for payment within one year and are repayable on demand. Amounts owed by the ultimate parent company bear interest at variable rates based on LIBOR. Amounts owed by fellow group undertakings are non-interest bearing.

### 8. PAYABLES: CURRENT LIABILITIES

	2018 £'000	2017 £'000
Other payables	4,281	3,562
Accruals	7,786	10,138
Amounts owed to fellow group entities	940	2,318
	<u>13,007</u>	<u>16,018</u>

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

# HAMMERSON GROUP MANAGEMENT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2018

### 9. PAYABLES: NON-CURRENT LIABILITIES

	2018 £'000	2017 £'000
Accruals	<u>354</u>	<u>-</u>

### 10. CALLED UP SHARE CAPITAL

	2018 £'000	2017 £'000
Authorised:		
20,000,000 ordinary shares of £1 each	<u>20,000</u>	<u>20,000</u>
Allotted, called up and fully paid:		
17,000,000 ordinary shares of £1 each	<u>17,000</u>	<u>17,000</u>

### 11. RESERVES

The following describes the nature and purpose of each reserve within equity:

<u>Reserve</u>	<u>Description and purpose</u>
Share capital	Nominal value of share capital subscribed for
Other reserves	The cumulative amount of share-based payments recognised by the Company in return for services provided by its employees
Retained earnings/accumulated losses	Cumulative profits and losses less any dividends paid

### 12. 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, including general terms and conditions and method of entitlement (e.g. whether in cash or equity) are set out in the publically available 2018 Annual Report of the Company's ultimate parent company.

At 31 December 2018, Hammerson plc had three share schemes in operation. The number and weighted average exercise price of share options which remain outstanding in respect of the Savings-Related Share Option Scheme are shown in the tables below, together with details of expiry periods and range of exercise price. The number of ordinary shares of Hammerson plc which remain outstanding in respect of the Restricted Share Plan and Long-Term Incentive Plan are shown, together with their year of grant.

HAMMERSON GROUP MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2018

12. SHARE-BASED EMPLOYEE REMUNERATION (continued)

					31 December 2018	
					Share options	
					Ordinary shares of 25p each	
	Number	Year of Expiry	Weighted average exercise price	Exercise price (pence)	Number	Year of Grant
Savings-Related Share Option Scheme	551,321	2019-2024	£4.25	356.64-540.4	-	-
Restricted Share Plan	-	-	-	-	997,776	2016-2018
Long-Term Incentive Plan	-	-	-	-	2,753,291	2015-2018
					31 December 2017	
					Share options	
					Ordinary shares of 25p each	
	Number	Year of Expiry	Weighted average exercise price	Exercise price (pence)	Number	Year of Grant
Savings-Related Share Option Scheme	302,744	2018-2023	£4.28	329.04-540.4	-	-
Restricted Share Plan	-	-	-	-	796,556	2015-2017
Long-Term Incentive Plan	-	-	-	-	2,243,298	2013-2017

## HAMMERSON GROUP MANAGEMENT LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2018

#### 13. PENSIONS

- (a) The Company operates a UK funded approved Group Personal Pension Plan and an Irish pension scheme which are both defined contribution pension schemes. The Company's total cost for the year relating to these schemes was £1,722,000 (2017: £1,578,000).

In addition, 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. The Company is expected to make contributions totalling £3,500,000 to the Scheme in the next financial year.

- (b) FRS101 disclosures

The FRS101 calculations have been carried out by an independent qualified external actuary and relate to the Scheme.

HAMMERSON GROUP MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
Year ended 31 December 2018

13. PENSIONS (continued)

(c) Changes in present value of defined benefit pension schemes:

	Obligations £'000	Assets £'000	Net £'000
At 1 January 2018	(111,328)	71,719	(39,609)
Amounts recognised in the income statement			
- interest (cost)/income (note 4)	(2,859)	1,880	(979)
Amounts recognised in equity			
- actuarial experience losses/	(843)	(4,514)	(5,357)
- actuarial gains from changes in financial assumptions	6,444	-	6,444
- actuarial losses from changes in demographic assumptions	(305)	-	(305)
	5,296	(4,514)	782
Contribution from employer	-	3,500	3,500
Benefits	2,813	(2,760)	53
At 31 December 2018	(106,078)	69,825	(36,253)
Analysed as:			
Present Value of the Scheme	(104,876)	69,825	(35,051)
Present Value of the unfunded scheme	(1,202)	-	(1,202)
	(106,078)	69,825	(36,253)
	Obligations £'000	Assets £'000	Net £'000
At 1 January 2017	(107,406)	65,265	(42,141)
Amounts recognised in the income statement			
- interest (cost)/income (note 4)	(3,083)	1,912	(1,171)
Amounts recognised in equity			
- actuarial experience (losses)/gains	(589)	3,215	2,626
- actuarial losses from changes in financial assumptions	(4,580)	-	(4,580)
actuarial gains from changes in demographic assumptions	2,106	-	2,106
	(3,063)	3,215	152
Contribution from employer	-	3,500	3,500
Benefits	2,224	(2,173)	51
At 31 December 2017	(111,328)	71,719	(39,609)
Analysed as:			
Present Value of the Scheme	(110,066)	71,719	(38,347)
Present Value of the unfunded scheme	(1,262)	-	(1,262)
	(111,328)	71,719	(39,609)

# HAMMERSON GROUP MANAGEMENT LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Year ended 31 December 2018

### 13. PENSIONS (continued)

(d) Principal actuarial assumptions used for defined benefit schemes:

	2018 %	2017 %
Discount rate on scheme liabilities	2.9	2.6
Increase in retail price index ("RPI")	3.2	3.2
Increase in pensions in payment	3.2	3.2
	Years	Years
Life expectancy from age 60 for Scheme members:		
Male aged 60 at 31 December	27.7	27.8
Male aged 40 at 31 December	29.2	29.4

All defined benefit pension scheme assets are invested in pooled funds with around 30% invested in equity funds and 70% invested in funds targeting returns linked to but in excess of LIBOR.

(e) Sensitivities to changes in assumptions and conditions:

<u>(Decrease)/Increase in net balance sheet liability of the Scheme at 31 December</u>	2018 £'m	2017 £'m
Discount rate +0.1%	(1.8)	(2.0)
Price inflation +0.1%	1.8	2.0
Long-term improvements in longevity 1.5% per annum	0.8	1.0
Asset value falls 5%	3.4	3.6

### 14. ADVANCES, CREDIT AND GUARANTEES

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

### 15. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

At 31 December 2018, 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.