HARGREAVES
LANSDOWN

PUTTING CLIENTS FIRST

Report and Financial Statements 2018

OUR MANIFESTO

"

When you know your money's in the right place, you can be confident about the future that lies ahead. But we all face moments of uncertainty – the need for some reassurance, insight or just a little more know-how.

It's why we've been pioneers of change from the beginning, going the extra mile to put your financial future in your hands. To arm you with the knowledge you need to make confident decisions with ease.

Giving you guidance when you want it, in a language you understand. And bringing you better ways to make the most of your money: today, tomorrow and for years to come.

That means more clarity, less confusion. More doing, less 'saving for a rainy day'. More freedom to make choices, to go further, to do things now.

So you can look forward to tomorrow, while enjoying today.

HIGHLIGHTS OF 2018

1,000,000+ CLIENTS

1,091,000 active clients, up 137,000 in the year (2017: 954,000)
Net Promoter Score[SM] of 50.3[1] (2017: 60.5)

£12.4BN GROWTH

Net new business inflows of £7.6 billion (2017: £6.9bn)
Assets under administration up 16% to £91.6 billion (2017: £79.2bn)

£292.4M PROFIT

Profit before tax £292.4 million, up 10% (2017: £265.8m)
Dividend 40.0p, up 38% (2017: 29.0p)
Net revenue £447.5 million, up 16% (2017: £385.6m)

1. Net Promotor Score , NPS and the NPS-related emoticons are registered service marks, and Net Promoter Score and Net Promoter System are service marks of Bain & Company Inc., Satmetrix Systems, Inc. and Fred Reichheld.

EMPOWERING PEOPLE TO SAVE AND INVEST WITH CONFIDENCE

The Strategic report was approved by the Board of Directors and signed on its behalf by:

Chris Hill
Chief Executive Officer

GROUP AT A GLANCE
MAXIMISING OPPORTUNITY

"Hargreaves Lansdown is the UK's largest direct to investor investment service administering £91.6 billion of investments for over a million clients.

Society's challenge

Large savings gap and investment landscape growing in complexity

Significant opportunities in a growing addressable market

For more information on long-term market opportunities, see page 10

Our vision

To be a household name known as the best place for savers and investors in the UK

Attractive service-driven offering across our target client segments

For more information on our vision and strategy, see page 22

Client focus

Improving client experience, delivering value and driving growth

Competitive advantages in people, marketing and technology

For more information on our business model, see page 14

Sustainable business model

Execution through compliant, controlled, secure and efficient platform

Using scale and market position to benefit our stakeholders

For more information on our progress, see page 32

Delivering value to clients, employees, shareholders and society

For more information on our Corporate Social Responsibility, see page 40

Deanna Oppenheimer
Chair

CHAIR'S STATEMENT
DELIVERING VALUE

> "
> Hargreaves Lansdown is an innovative market leader with a real focus on client engagement and technology.

Overview and strategy

It gives me great pleasure to introduce myself and our 2018 Report and Financial Statements for my first time as the Chair.

My background to date has been centred on building client focused propositions and integrating technology to deliver tangible benefits to stakeholders, both with UK and US based companies. I currently sit on the boards of Tesco plc and Whitbread plc, as well as advising CEOs of fintech businesses and other technology disruptors. I am excited about playing my part in the next phase of Hargreaves Lansdown's growth in the UK savings and investment landscape.

It is the people, their values and client-first culture that first attracted me to Hargreaves Lansdown. Having been Chair for six months, I have seen at first hand just how much the client is truly at the heart of the business and its decision making process. It is no surprise therefore, that once again, we have had another successful year with significant growth in client numbers and AUA leading to continued growth in profit before tax to £292.4 million.

Empowering our clients to save and invest with confidence is why we are in business. As a Board we have been further embedding a healthy corporate culture that drives behaviour focused on our core values of:

- Putting clients first;
- Going the extra mile;
- Doing the right thing;
- Making it easy; and
- Doing it better.

By staying true to these values, we stay true to our purpose and Hargreaves Lansdown will benefit clients, employees, shareholders, communities and society as a whole.

Last year our new executive leadership team outlined our strategy and vision to be "a household name known as the best place for savers and investors in the UK". Key in delivering this strategy has been investment in our people, marketing and technology. All three ultimately drive the client experience, the gathering of assets and the growth in profits. Our Chief Executive, Chris Hill, will review what has been a very busy year and outline the progress we have made on the strategic priorities.

Looking forward the fundamentals of our strategy remain the same. Exceptional client experience should be at the heart of everything we do. We will continue to use technology to enhance and personalise the client experience, however they choose to interact with us. We need to take this best practice, embrace technological innovation and embed this alongside the personal approach of our high quality investment helpdesks. This will ensure we deliver an exceptional quality user experience, offering great value that makes lives simpler and easier to manage. Without happy and engaged clients there is no sustainable business.

Board changes

The Board's composition and diversity is regularly reviewed and we are committed to ensuring we have the right balance of skills and experience within the Board.

As announced previously, from 1 September 2017 Fiona Clutterbuck and Roger Perkin were appointed as independent Non-Executive Directors. Our Senior Independent Non-Executive Director, Christopher Barling stood down from the Board on 7 February 2018 and was succeeded by Shirley Garrood, an existing Non-Executive Director.

I was appointed as Chair on 7 February 2018 and succeeded Mike Evans who had served on the Board since September 2006 and as Chairman from December 2009. Under Mike's guidance, the Group has become a successful FTSE 100 business combining strong client focus with high service standards. I am grateful to Mike for his insight and contribution in a smooth transition process both for myself and my new fellow directors.

CHAIR'S STATEMENT CONTINUED

Along with our Chief Executive, Chris Hill, I am a proud member of the 30% Club which works to increase the number of women on FTSE 100 boards and it is very pleasing to see that we now have a Board with an equal number of male and female members; the only company in the FTSE 100 which currently has achieved this balance. We will continue to diversify the skills, experience, age and ethnicity on the Board to ensure we are well prepared to guide the Group through our next phase of growth.

Remuneration

Last year we proposed a revised remuneration policy where pay is more closely aligned with the performance of the Executive Directors and the value they deliver to our clients and shareholders. The Remuneration Committee engaged with shareholders to listen and take account of their views and it was pleasing to see that the policy passed with a vote of 98.69% in favour. The Committee is satisfied that the structure of the remuneration package remains appropriate with due consideration given to environmental, social and governance issues and does not incentivise inappropriate risk taking.

Dividend

The Group took the decision not to pay a special dividend for the year ended 30 June 2017 and instead retained approximately £50 million of capital to ensure it held a sufficient surplus going forwards. At the time the Board maintained its commitment to paying special dividends in the future. I am pleased therefore to announce that the Board recommends the payment of a special dividend alongside this year's final dividend.

In line with our stated dividend policy, the Board recommends, subject to approval at the Annual General Meeting, payment of a final dividend of 22.1p per share. In addition the Board today declares a special dividend of 7.8p per share.

An interim ordinary dividend of 10.1p per share was paid on 9 March 2018. Including this, the total ordinary dividend for the year is 32.2p per share (2017: 29.0p), an increase of 11%. Adding the special dividend gives a total dividend of 40.0p per share (2017: 29.0p), an increase for 2018 of 38%.

Subject to shareholder approval of the final dividend at the Annual General Meeting, to be held on Thursday 11 October 2018, the final and special dividends will be paid on 19 October 2018 to all shareholders on the register at the close of business on 28 September 2018.

Our people

Since taking the role as Chair in February 2018, I have been impressed by the quality and enthusiasm of the Executive Directors and of the teams of people that support them. The Board is clear that our people remain our greatest asset and our strong culture and values should be embodied by them all.

Our culture and environment must attract, value and retain people from all backgrounds, life experiences, preferences and beliefs ensuring they are recognised and respected as individuals and valued for the different perspectives they bring. As our business grows, our needs and challenges become more diverse and therefore so too must our workforce. More information on Diversity and Inclusion can be found on page 44.

On behalf of the Board I thank all our people for their dedication during a very busy year and for their ongoing efforts.

Outlook

Looking ahead, macro uncertainties remain as great as ever and there is a lot of focus on what the UK's exit from the EU will mean for the UK financial services industry. Despite such uncertainty Hargreaves Lansdown has a strong track record of organic growth through its consistent focus on clients and use of technology to broaden its proposition. The Board believes that delivering value for clients will enable further growth to the benefit of our shareholders and wider stakeholders.

Deanna Oppenheimer
Chair

6 August 2018

MY READY-MADE PORTFOLIO WAS SO EASY TO SET UP – Mrs K Bawden

I chose to invest in an ISA as I was given some inheritance and we were doing a house extension. I was determined that I didn't want to spend all the money on the extension and decided to save some money for the future. I thought that if I put the money in an ISA, the money would have the potential to grow.

I chose a ready-made portfolio because I just felt that I didn't know enough about investing to do it effectively. It's all ready-made so I just put the money in and HL's experts will make all the underlying investment decisions for me.

The process of getting started was so easy. I just rang up and spoke to someone first to get a bit more information and then I did it all online. Between talking on the phone and opening the account, it was less than an hour. That was it and then off I went! Whenever I've had questions, I've spoken to someone at HL and they've been really helpful and knowledgeable.

For more information, please see **www.hl.co.uk/investment-services/isa**

MARKET OUTLOOK
ATTRACTIVE AND GROWING MARKET

Market background

The UK currently faces significant challenges in terms of engagement with saving and investing. As a nation much work needs to be done to address these challenges and develop a stronger culture and more confident attitude to saving and investing, which will bring long-term benefits to society as a whole.

The Savings Gap – the gap between retirement expectations and the cost of funding such expectations - is estimated at £314[1] billion. The level of funding necessary to provide retirement income is increasing, driven by longer life expectancies, less generous company and state pensions and ambitious retirement expectations. The burden of responsibility for retirement is shifting from government and corporates to the individual. This gap cannot be closed without individuals taking ownership for self-provision and without the use of long-term investments alongside cash savings.

The Household Savings Ratio – fell to an annual record low of 4.1% in 2017 (as per Office for National Statistics (ONS) 29 June 2018).

The Advice Gap - post the Retail Distribution Review cost effective advice has been increasingly difficult to find.

In addition, successive UK governments tinkering with pension savings, the introduction of various ISA products and persistent low interest rates have made finding the right solution for individuals' investment needs ever more complex.

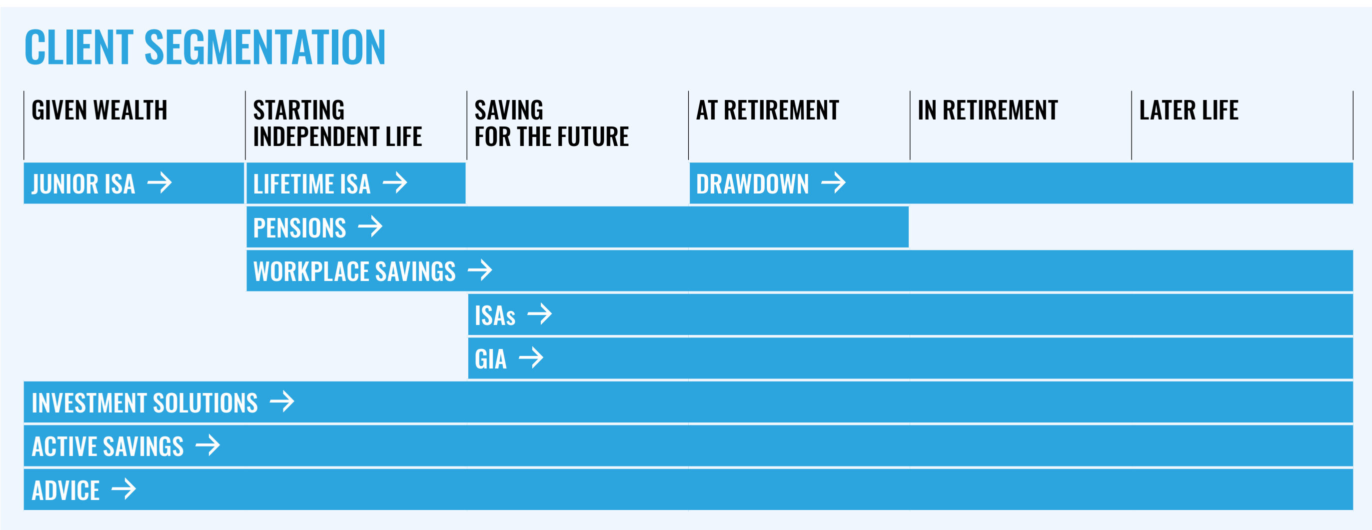
Within the UK, investors have a wide range of financial awareness. Some are confident but face ever increasing complexities from regulation, choice and technology. Others are less financially aware and need more help in beginning their journey into savings and investment. Hargreaves Lansdown is well placed with its expertise and expanding capabilities to help existing and new clients navigate through this minefield of complexity, providing appropriate products and solutions for the young through to those at and in retirement. Hargreaves Lansdown firmly believes that government has a role to play through improving financial education, addressing the savings gap and by empowering companies like us through proportionate regulation to help provide the solutions and education.

Addressable market

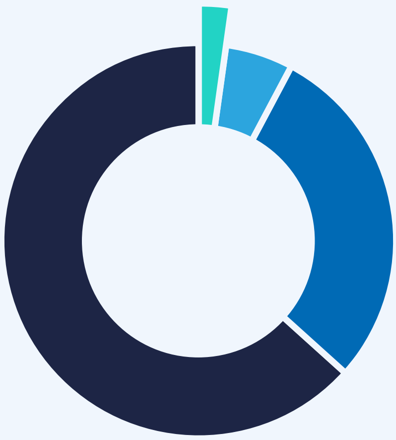
The UK private wealth market is estimated at c£1.6 trillion, of which we see c£1.1 trillion as addressable, giving an implied market share for Hargreaves Lansdown of about 7%. Outside the Direct-to-Consumer (D2C) space, the bulk of this addressable market is held through independent financial advisers, independent wealth managers and vertically integrated firms. A significant amount of this investment pool will have been initially advised upon, maybe many years ago, but now receives no ongoing advice and little support. This provides a rich source of potential transfers to Hargreaves Lansdown as clients look to consolidate all their investments on to our platform.

This £1.1 trillion is concentrated across c7 million people with £100,000 or more of investments (source: ONS). Within this population there are key segments for us such as Peak savers, Pre-retirement and Retiring which alone hold c£900 billion.

Demographics and longevity alone will provide growth drivers in these key segments but, if the UK savings gap can be better addressed, then further impetus could be developed across these and other segments. Although other segments are not so key in terms of the



SIGNIFICANT OPPORTUNITIES IN A GROWING MARKET



£92 BILLION

Hargreaves Lansdown
Total value of assets under administration (AUA).

£206 BILLION

D2C platform market
The execution-only market has £206 billion of assets. Hargreaves Lansdown has a 39.1% market share.

£1.1 TRILLION

Private wealth market
Add in advised assets and the total private wealth market has £1.6 trillion of assets. We believe we are a solution for £1.1 trillion of this. Hargreaves Lansdown has a 7% market share.

£2.4 TRILLION

Private wealth + cash market
The cash market is worth a further £1.3 trillion. Hargreaves Lansdown has a 3% market share and has launched a cash management service to begin to address this.

opportunity, they still need engagement and investment solutions and Hargreaves Lansdown, through its breadth of offering, can address them too.

Transfers in from across the wealth market spectrum show our wide appeal to investors who currently hold assets elsewhere.

Managing investments in one place with a trusted company that makes things easy is an ambition for many investors and this consolidation process is a journey that many of them go through with us. Such consolidation of investments on to platforms has driven the UK D2C platform market to £206 billion, of which Hargreaves Lansdown has a 39.1% market share[2].

The D2C platform market grew by 20.6% in the past year and forms part of the wider D2C market worth £560 billion which grew at 19.1%[2]. Significant other shares of the D2C market include £253 billion held by pension and insurance providers and £63 billion held by wealth managers in execution only assets, both of which provide a source of transfer business to Hargreaves Lansdown.

Industry expert, Platforum, also estimate that £30 billion[2] is held directly with asset managers who are increasingly realising that they are not set up to service direct retail customers. This provides a source of transfers or an opportunity to acquire the entire direct back books from fund management groups. During the year we acquired a back book from Old Mutual Global Investors and in previous years acquisitions have been made from Jupiter, JPMorgan, Legg Mason and BlackRock. We are actively pursuing similar deals working with fund groups and the FCA to ensure affected clients can be transitioned effectively.

With 44% of UK investors now claiming to deal with their investments themselves, up from 29% in late 2013[3], there should be continued impetus in the growth of the D2C execution-only market.

Financial advice, however, still has an important role to play as people are often put off by the perceived complexities of investing, have insufficient time to devote to it or just want the comfort that an expert is involved. Such advice can be ongoing or one-off in nature to address a certain issue or to ensure that their investment plans are on track. Hargreaves Lansdown, with around 100 highly qualified advisers, is well placed to service such needs. We believe that investors should have access to appropriate cost effective advice at the point they actually need it.

Market development

ISAs
The markets for the Group's products and services continue to evolve as individuals' savings and investment needs react to the changing regulatory and market environment. With continued low interest rates, Stocks and Shares ISAs remain attractive and we have seen significant transfers in from cash ISAs held with banks. The current ISA allowance of £20,000 provides additional scope for tax efficient investing, particularly for higher earners who stand to lose some of their annual pension allowance and are impacted by the lower lifetime allowances. With the threat of further tinkering to the pension rules, the ISA increasingly becomes a long-term investment plan for many and hence provides a significant opportunity for new business flows. According to HMRC, as at 5 April 2017, the Stocks and Shares ISA market is estimated at £315 billion with an additional £270 billion held in Cash ISAs and £3 billion in Junior ISAs. Based on recent HMRC data the average annual amount

1 Source: "Mind the Gap" (Aviva and Deloitte, September 2016).
2 Source: Platforum UK D2C Guide July 2018.
3 Source: Platforum UK D2C Guide July 2017.

MARKET OUTLOOK CONTINUED

subscribed into ISAs over the past three tax years has been c£76 billion. These statistics clearly demonstrate a significant opportunity to gather more assets into our core ISA products.

In April 2017, the Lifetime ISA (LISA) was launched. This is open to UK citizens between the ages of 18 and 40 and any savings added to the LISA before their 50th birthday will receive an added 25% bonus from the government. The savings allowance is capped at £4,000 per annum and can be used towards a deposit on a first home worth up to £450,000 or towards saving for retirement, whereby, after their 60th birthday individuals can withdraw all the savings free of tax.

Hargreaves Lansdown was one of only three platforms that offered the LISA at its launch and by 30 June 2018 we have over 42,000 accounts with £218 million of invested assets, which makes us the largest provider of LISAs. Approximately half of these clients were new to Hargreaves Lansdown highlighting how it serves as a way for attracting a younger demographic to our platform. For those who were already existing clients it helps strengthen the client relationship and enables us to potentially capture more of their investment wealth over time. Although it is early days for this new type of ISA, it could provide fresh impetus for adults to boost their long-term savings and for others to start saving for the first time using risk-based investments rather than cash.

Pensions

Pension auto-enrolment in the UK continues and through the cooperation of over one million employers more than 9.5 million employees have been brought into pension saving with regular employee and employer contributions being made. Escalating minimum contributions have been set so that by 6 April 2019 the minimum contribution will be 9% of which the employer will have to pay a minimum of 4%. The Department for Work and Pensions estimates that nearly £20 billion of additional pension contributions will have been made by 2020 which represent genuine new incremental inflows to the UK savings industry.

Auto-enrolment has delivered demonstrable successes, however, there are flaws in the architecture of the system that need to be addressed. First, self-employment is more common than it was when auto-enrolment was first introduced. There are now nearly five million self-employed workers in the UK and the vast majority are not participating in the pension system. We strongly believe the government needs to address this problem. Secondly, every time someone changes their job, they will be enrolled into a new pension, which over time will lead to millions more pension accounts than are necessary. This recurring auto-enrolment process is highly disruptive for an individual's retirement saving journey. Irrespective of how interested and engaged they are with their pension, whenever they change jobs, they are forced to suspend their existing pension and start a new one if they want to benefit from their employer's pension contributions. To avoid this we believe that an individual who has an existing auto-enrolment pension from a previous employment or who wishes to make an active choice regarding their pension provider, should have a right to choose that arrangement in preference to being forced to join their new employer's scheme. They should have the right to have their new employer's contributions paid into the pension of their choice, along with any of their own contributions deducted from their salary.

The workplace will continue to play a pivotal role in retirement saving and Hargreaves Lansdown Workplace Solutions, which already provides pension, investment and annuity services for over 500 employers, including a third of the FTSE 100, can really help make a difference by improving employee engagement with saving and through the provision of a range of high quality services.

The shift from defined benefit to defined contribution pension schemes has exacerbated the Savings Gap. Auto-enrolment and the Pension Freedoms, launched in April 2015, have helped to reinvigorate interest in retirement savings. However, these reforms, as well as the lower lifetime and annual allowances, have created significant complexity for investors to navigate. Hargreaves Lansdown recognises this as a key opportunity and therefore a focus for us is how we can best help investors into and through retirement. We can provide bespoke ongoing personal advice, but for many this is too expensive and not appropriate, so we are looking at more cost effective solutions which will give guidance or advice at the point clients really need it.

Undoubtedly there will be further changes to pensions in the coming years but we are confident that government support for increased private pension provision is robust and this is likely to mean continued tax advantages and policy decisions designed to promote increased retirement saving. With individuals taking more responsibility for pension saving, we believe Self Invested Personal Pension (SIPP) providers such as Hargreaves Lansdown, which help investors to self-manage their retirement savings, are likely to continue to prosper.

Cash savings

Alongside risk-based investments, investors continue to hold cash despite persistent low interest rates on cash savings. Our research shows that there is a further £1.3 trillion of cash held in the UK. During the year we introduced 'Active Savings', our digital deposit service that provides a solution for managing cash savings. The development roll-out of this service is controlled as we look to build out the functionality and add banking partners to widen its appeal. In the current low interest rate environment this service may not have mass appeal, but over time as we perhaps return to a more normal interest rate environment and enhance the functionality, it has the potential to

HARGREAVES LANSDOWN IN NUMBERS

We are a well established and trusted brand providing a high quality service across a range of products and services.

ISAs 770,000+ accounts £37 billion+ AUA	**LIFETIME ISA** First to launch on 6 April 2017 42,000+ clients	**JUNIOR ISA** UK's No. 1 provider 97,000+ accounts	**CORPORATE SCHEMES** 425 schemes 99,000+ members £3.1 billion AUA	**SIPP** 365,000+ accounts £30 billion+ AUA
HL FUND MANAGER 10 Multi-Manager funds, 2 Equity funds, £9.6 billion AUA	**FUND & SHARE** 330,000+ accounts £23 billion+ AUA	**PORTFOLIO+** Ready-made investing managed by experts £1 billion+ AUA	**PORTFOLIO MANAGEMENT SERVICE** Our discretionary managed solution £3.5 billion AUA	**STOCKBROKING** UK's No. 1 31.3% market share

greatly increase our addressable market and hence remains a key part of our growth strategy.

Competition

Much is made of the increasingly competitive landscape and indeed, new competitors continue to enter the market with innovative technology and new solutions. We are never complacent and continue to watch the competitive landscape closely. Where competition raises further awareness of saving and improves financial awareness we see this as a good thing. Healthy competition ultimately delivers better outcomes for investors.

Scale, however, remains key to becoming successful and achieving this relies on a deep understanding of savers, investors and their needs, which is something we continue to focus on. Once scale is achieved, sustainable profits rely on continued investment in technology, people and a focus on how our clients' needs develop. Standing still is not an option and Hargreaves Lansdown is always looking to improve the experience for our clients, ensuring value for money is delivered.

Regulation

Regulation is an ever present theme in financial services and absorbs a considerable amount of time and resources. Hargreaves Lansdown is well placed to address the challenge this brings and believes the increasing regulation effectively forms a barrier to entry. Our primary regulator is the FCA and it oversees all aspects of our work, from how we manage our platform, give advice and run our fund management operations to how we communicate with our clients.

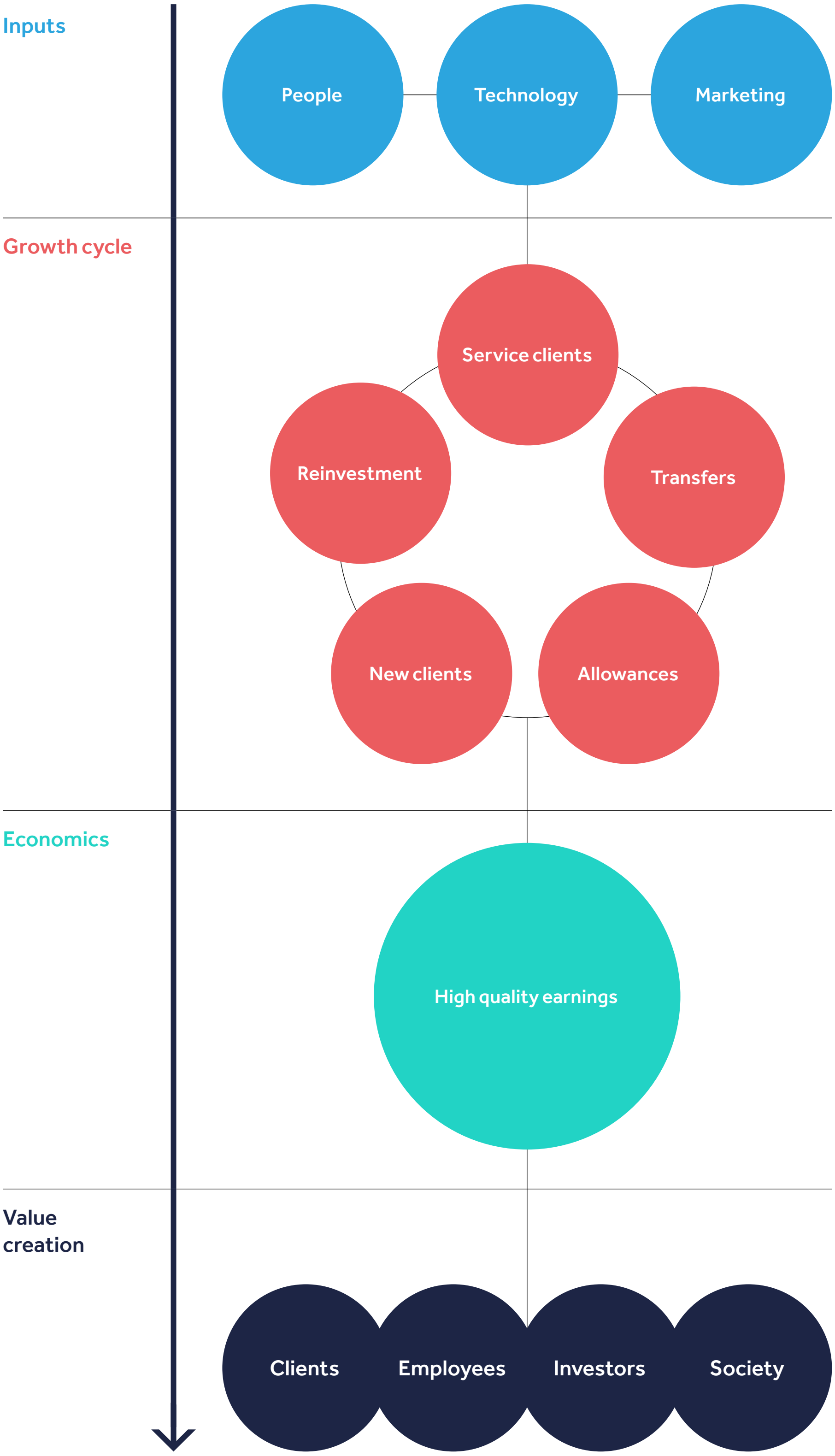
During the year we have engaged with the FCA on their Investment Platform Market Study, which looks at how competition is working in the market and whether platforms offer value for money to investors. We welcomed the fact that this is a broad study including any service that offers access to investment products through an online portal. In our submissions we worked hard to demonstrate how we deliver value to our clients in what is a competitive market.

The FCA published their interm findings on 16 July 2018 where they proposed measures to improve competition in the investment platform market. The study found that investors value the tools, research, Best Buy lists and other features that platforms like ours provide and that client satisfaction was high. It also recognised the key role that a platform like ours plays in helping people to save and invest with confidence, which is our purpose. One particular area of focus they highlighted was making it easier for investors and advisors to switch platforms. Hargreaves Lansdown has been at the forefront of making transfers of investments and pensions between providers quicker and easier and as an example, we chair the industry's working group on transfers mentioned in the FCA's report.

In accordance with the FCA's timetable, Hargreaves Lansdown will provide feedback on their initial findings and proposed remedies and look forward to the the FCA's final conclusions and report scheduled for early 2019.

BUSINESS MODEL
USING SCALE AND MARKET POSITION TO DRIVE VALUE

We offer a lifelong, secure home for people's savings and investments that offers great value, an excellent service and makes their financial life easy. These key attributes enable us to grow clients and assets on our platform which drives revenues to support reinvestment for further growth. Executing this virtuous circle enables long-term value creation across our stakeholders and helps deliver broader economic benefits across society.



INPUTS

People – Our people lie at the heart of Hargreaves Lansdown, ensuring we deliver on our core values. They develop knowledge and expertise, implement our strategy and deliver our products and services.

Technology – Our platform uses our own proprietary systems, allowing us to develop our products and services in a nimble, secure and efficient manner. We embrace technological innovation to harness it to improve client experience. We invest to ensure our systems are safe and secure, giving peace of mind to clients.

Marketing – We provide a multi-channel marketing approach to engage with new and existing clients, ensuring they have high quality information to empower them to save and invest with confidence. We seek to understand our clients better, to tailor our communications to their needs and enhance a lifelong relationship.

GROWTH CYCLE

Growth in clients

We have a market leading, client focused, scalable platform and through a combination of investment and application of our core values, we continually improve the client experience, attracting new clients across the lifecycle and retaining our existing client base.

Growth in AUA

Growing the number of clients and nurturing our relationships with them over their lifetime drives the long-term sustainable growth in assets on our platform. The more happy and engaged clients we have, the greater is the flywheel effect for increased new business flows through transfers of investments held elsewhere on to our platform, new lump sum contributions and regular savings, particularly with regards to the tax allowances within a SIPP and an ISA.

ECONOMICS

Revenue

We generate revenues based on the value of assets managed on our platform, activity levels of our clients and a net interest margin on uninvested cash. 77% of these revenues are recurring in nature, providing a high degree of profit resilience. By providing an excellent service, we will attract new clients and new assets, ensuring we are well positioned to grow revenues across the market cycle.

Costs

From our revenues, we fund the administration of the platform, our proposition and the business as a whole. Key to our strategy is the reinvestment back into people, technology and marketing, ensuring that we are always improving and evolving the service and maintaining our competitive advantage. Despite the significant reinvestment, our scalability enables us to generate industry leading operating margins of 65%.

Profits

Our high quality earnings and scalability deliver strong profits which quickly convert into cash. After ensuring we maintain a significant surplus of capital over and above our regulatory requirement, we are still able to pay significant dividends to our shareholders.

VALUE CREATION

Through placing clients at the heart of all we do we have already achieved significant scale, but our continuing investment and adherence to our core values will enable further growth. This will deliver long-term value creation not only for clients but across a range of stakeholders.

Clients

- Using our scale and influence to secure discounts and improvements for investors
- Continuous investment ensuring the proposition evolves and grows over time, meeting the lifecycle needs of clients
- Helping clients to secure a prosperous future

Employees

- A corporate culture where they know they are truly helping clients and the wider society
- Challenging and rewarding careers in a growing company
- Ongoing learning and personal development across all levels of the business
- Competitive rewards and flexible benefits package

Investors

- A cash generative business model in a growth market
- A track record of strong operating margins and profit growth, underpinning increasing shareholder returns
- Profits convert quickly into cash, facilitating dividends and reinvestment for growth

Society

- We want people to save and invest with confidence and have a future that they can control
- We campaign on behalf of investors, lobbying via public consultation and with policymakers
- We pay our taxes in full and on time and conduct our tax affairs in a clear, fair and transparent way
- We support our community through fundraising, volunteering and mentoring and raise money for charity through the HL Foundation

Chris Hill
Chief Executive Officer

CHIEF EXECUTIVE OFFICER'S REVIEW
ANOTHER YEAR OF STRONG GROWTH

"

I have never worked in a business as client focused as Hargreaves Lansdown.

Welcome

I am proud to report another year where we have delivered strong growth at Hargreaves Lansdown. Our strategy is built around excellent client service, empowering people to save and invest with confidence and 2018 saw significant progress with its ongoing delivery. We consciously invested in developing our proposition, platform, people and service levels. The benefit of this investment is already coming through in our continued growth in client numbers, net new business, market share and profits, allowing us to reinstate the special dividend this year for our shareholders.

Market opportunity

Last year, we outlined the significant structural growth opportunity that we have at Hargreaves Lansdown. Society has significant challenges in the UK, with a £314 billion[1] savings gap, a greater need for self-provision over a longer period as life expectancy has extended, and a complex set of government incentives and tax allowances to navigate. People need to take charge of their money and manage it over a longer period, and yet savings and investments are becoming more complicated. Clients need help and they want solutions, not just information. They want to feel valued and supported by their chosen financial services providers, from whom they increasingly expect the same service levels as they get in other walks of life. Our platform, combined with our scale, knowledge, expertise and client focus, uniquely positions us to provide the solutions required and capitalise on this opportunity.

Our clients are at the heart of everything we do

I have never worked in a business as client-focused as Hargreaves Lansdown. We have a direct relationship with over one million clients, and we are part of daily life and routine for many of them. This is a tremendous privilege and one that I am determined we cherish and nurture.

Our strategy is based on the delivery of excellent client service through our interactions with our clients and the solutions that we offer on our platforms. We want to be a household name, known as the best place for savers and investors in the UK. A place where people are empowered to save and invest with confidence.

We interact with our clients in many different ways of their choosing. We have a market leading app and website, great platform technology, a well-trained and knowledgeable Helpdesk and a dedicated Operations team. We set ourselves high standards and are clear that delivering excellent client service and high retention levels is at the core of our strategy. We were particularly pleased to be rated by Which? as the best platform for customer service, efficient administration, online functionality, online tools and guidance and information on investments – as well as the best platform overall[2] (Which?, June 2018).

Investing in our clients

Our analysis tells us that the key driver to helping people to invest is building their understanding and confidence. We are always looking to build on our range of solutions, make them appropriate for different groups of clients, and then use our scale to deliver value. This approach spans the whole spectrum from our sophisticated investors to those just starting out. Our Wealth 150 selection has performed well for those clients who use it, providing insightful knowledge and research to support fund selection. The list is up 54% over the past five years and, as the FCA noted during the year, recommended fund lists drive value for clients because they tend to have both better performance and lower asset manager fees, with an average discount of 10-15bps negotiated by us for our clients. We have added new funds where we see client demand which is matched by a credible solution. Clients do not favour UK investment at present, and flows have been directed towards Global funds. We added the Jupiter Global Value Equity Fund and were able to secure our clients an exclusive saving of 42bps off the headline rate. We have also reinvested in price where we feel we need to remain competitive, such as on overseas share trading where we reduced foreign exchange transaction costs in May 2018.

At the less confident end of the investing spectrum, Portfolio Plus, which helps clients to get invested via a tailored range of multi manager funds according to their risk appetite, went past £1 billion in assets under administration this year. This is an impressive achievement in just three years since its launch, showing the value to clients of an easy solution. We have introduced an even simpler offering with the help of Legal and General, called Simply Invest.

Simply Invest enables clients who are starting out on their investment journey to get UK market exposure through a passive fund which charges just 4bps. Combined with our platform charge, this means that their all-in cost is less than 50bps. We provide upfront information and monthly educational tutorials to these clients, aimed at improving their investment knowledge and confidence. Over time, these clients can then choose their own routes to invest across the entire range of solutions that we offer.

In December 2017, we launched our cash marketplace, Active Savings, extending our service into this important asset class. This solution gives clients access to a wide range of banks' savings products at competitive rates within a couple of clicks. It is revolutionary in the way it makes it so easy and efficient for people to manage their cash savings alongside their investments in one place.

In the current interest rate environment, the appeal of cash as an asset class is relatively limited but we are using this time to develop the proposition further and we will add more banks, deposit periods and tax wrappers as we move forward.

Investing in our competitive advantage

Our investment is targeted to maintain and improve the client experience, which relies upon constant development of our offering supported by excellent service levels. Through this we are able to provide clients with the knowledge to make decisions, the confidence regardless of investment expertise and the opportunity to save and invest easily and efficiently. We stimulate and support all of this engagement and create a lifelong relationship with our clients by investing into our sources of competitive advantage, being our people, our technology and our marketing.

Our people

Our people are crucial to our success and are the backbone of our service offering. We have a talented and diverse population at Hargreaves Lansdown and are investing proactively in their futures. Our HR team is delivering increased training and development to our colleagues, driving better engagement scores in our staff surveys and improving tenure. We have also rolled out a management training programme to modernise and adapt in our main service functions, delivering a 15% productivity uplift on our Helpdesk and a 25% uplift in our Operations department. This enhanced productivity means we can support our ongoing growth whilst ensuring we have the time to help our clients.

Our technology

Hargreaves Lansdown has a deserved reputation for providing easy to use, safe and secure and always-on technology. It is a competitive advantage to own and operate our bespoke platform and 2018 has been an extremely busy year. We have had an unprecedented period of regulatory change to manage, with the implementation of MiFID II and GDPR. We also chose to upgrade our security login procedures to make them easier for clients and more robust at a time of ever rising cyber threat. These were three of the largest code releases that we have ever done and involved all of our operating systems. I am proud with how seamlessly these developments have gone, because it demonstrates the quality of our planning, our people and our commitment to delivering exceptional service to clients at all times.

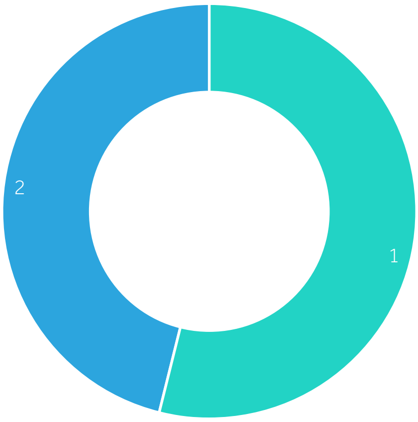
We are focused on providing smarter, faster and more convenient digital experiences for clients as they use our mobile and online platforms. Service matters here too, and we use Net Ease Scores to understand how we can develop and drive numerous small operational and technological changes to benefit clients. For example, putting the W8BEN (a mandatory tax form) for overseas share trading online, has led to an increase in the number of clients trading. We have also made changes to the transfer process that means 35% of all clients initiating transfers can experience the efficiency of a fully online process. Not only does this benefit clients, but it reduces the numbers of paper forms that we have to process.

We have also added significant new skills to our technology team with the opening of HL Tech, our IT development hub, in Warsaw, where we now have over 50 talented professionals focused on transforming and upgrading our technology capabilities. Whilst it is still early, having seen first-hand the work that the team is doing, I am hugely encouraged by the potential for HL Tech to contribute to our future scalability and client proposition.

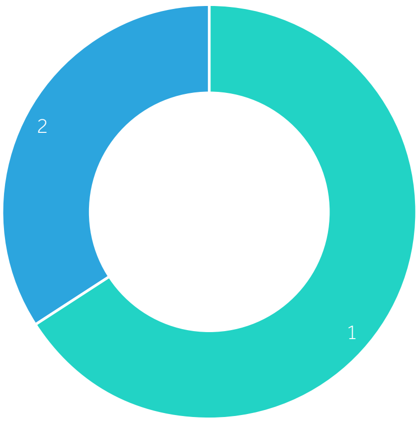
Our marketing

One of the highlights of the year for me was reaching a million active clients in November 2017. This was a huge milestone for us at Hargreaves Lansdown. Over the whole year, we welcomed 137,000 new clients, 16% more than last year, with many of them transferring from other platforms due to the higher service levels that we offer. By 30 June, we had reached nearly 1.1 million active clients and have continued to take market share. Over the past 12 months, the direct platform market Assets Under Administration (AUA) increased 9% whilst our AUA grew by 16%, and our market share rose by 1.3% to 39.1%[3]. Our share of the execution only stockbroking market is also up, by 1.7% to 31.3%[4] (Platforum, July 2018).

In 2018, we delivered record net new business of £7.6 billion and saw our AUA grow to over £90 billion. This increasing size of client base powers our growth, as our clients transfer assets from other providers onto the platform and take advantage of their annual ISA and pension allowances to invest more through us. For example, 70% of our ISA clients made a new ISA contribution this year (a four-year high) with 23% of ISA investors using their maximum allowance. As the charts below demonstrate, our gross new business comes evenly from transfers and new money, and mostly from our existing client base. This is why client service and client focus are so important.



1.	New money	54%
2.	Transfers	46%



1.	Existing clients	66%
2.	New clients	34%

Our clients value the increasingly personalised communication, content and guidance that we provide and we continue to develop and focus our approach in response to developments in the digital market. In February 2018, we rebranded our content and platform to create a new, clean visual identity. This provides a base for us to tailor our look, feel and tone of voice when we interact with groups of clients and we constantly analyse digital processes to make them smarter, faster and more convenient. In one case, we noted that groups of clients approaching retirement were struggling to find and understand the income from their investments. We added the income tab to My Accounts and Dealing and the Net Ease Score moved from 0% to over 50%.

Client retention levels are the ultimate judge of how good a job we are doing for our clients. These remained high in 2018 at 94.3% and our Net Promoter Score[SM] [5] (NPS), although down on last year is again very high for a financial services firm at 50.3%. We can measure NPS at various levels and have made encouraging progress in targeted areas during the year. For example, Managing Income NPS grew from 31% to 43% after the implementation of the income tab as mentioned above and our mobile app NPS grew from 32% to 61% off the back of its relaunch in February 2017. This matters as mobile is now the most popular way for clients to interact with us and now accounts for 67% of all logins, up from 50% last year.

Campaigning on behalf of our clients

We continue to campaign on behalf of our clients to protect their interests. For example, in March 2018 we won our 'discount tax' challenge with HMRC which should mean that £15 million is returned to investors. HMRC is appealing and we are not likely to have the final decision until 2019.

CHIEF EXECUTIVE OFFICER'S REVIEW CONTINUED

We have worked with HM Treasury on the ongoing development of the new Lifetime ISA and a ban on cold calling to reduce the risk of pension fraud. We are campaigning to give employees more control over their workplace pensions and improve access to pensions for the self-employed.

FCA investment Platforms Market Study

The interim findings from the FCA's Investment Platforms Market Study were published on 16 July 2018. We welcome the proposed remedies which are reflective of our own core values of putting the client first, going the extra mile, making it easy, doing the right thing and doing it better. The FCA cited the need to make transfers easier and Hargreaves Lansdown is already at the forefront of this, chairing the industry's working group. We hope that the study's focus on switching will enable a faster and more straightforward process. We also believe helping clients to compare and contrast platform services and fees, and making it easier for them to switch between providers, will lead to healthier competition which in turn should promote greater engagement amongst clients across the entire industry. We look forward to working with the FCA on this study.

Board changes

We have seen a considerable year of transition at the plc board level, and I am pleased to welcome Deanna Oppenheimer as Chair, and Roger Perkin and Fiona Clutterbuck as independent Non-Executive Directors. They bring with them a wide variety of external experience and perspectives and I am looking forward to their contribution to our future success. I am also grateful to Mike Evans and Christopher Barling, who have now left the Board but were a key part of our journey for many years.

Conclusion and outlook

I am proud to be leading a business that has its clients at the heart of how it operates. We are a market leader, looking after the savings and investments of nearly 1.1 million individuals; a huge responsibility at a time when people need more help than ever. We take this responsibility very seriously.

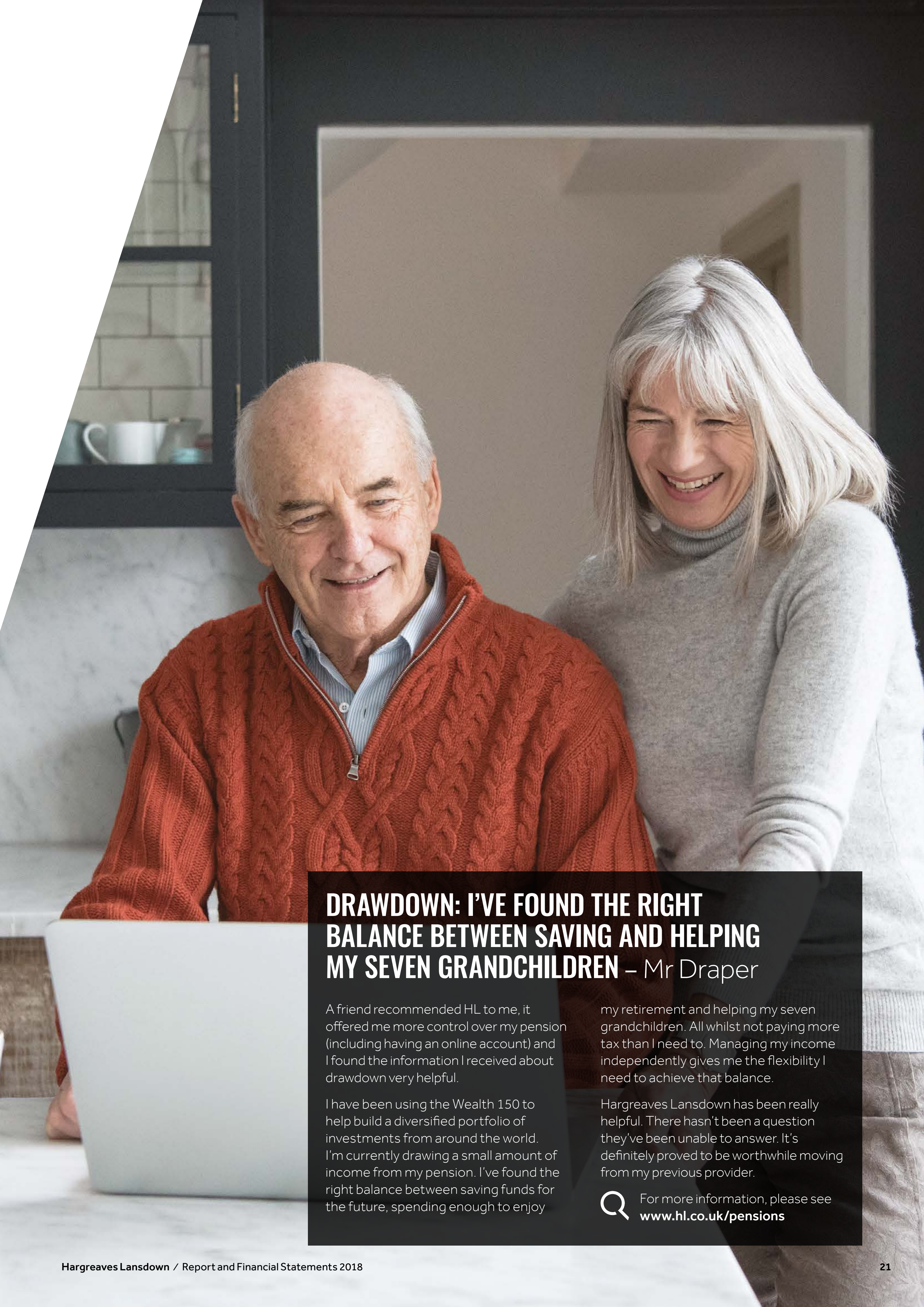
Brexit is on the horizon and the prevailing political and economic turbulence is having an effect on investor confidence. However, we believe that continuing to place our clients at the centre of what we do and establishing a lifelong relationship with them will enable us to continue to build share in a growing market. Our expertise and client service are rightly respected, and I believe the strength and scale of our business means we can continue to develop our offering to the benefit of all our stakeholders in the future.

I would like to thank our clients for their continued support and recommendation and I would also like to recognise my colleagues for their hard work and commitment. Not only have they continued to deliver the levels of client service for which Hargreaves Lansdown is recognised in the face of significant increases in activity, but they have also delivered solutions to new regulatory requirements alongside continuing to improve and expand the services which will underpin our future growth.

Chris Hill
Chief Executive Officer

6 August 2018

1 "Mind the Gap" (Aviva and Deloitte, September 16)
2 Source: Which? Money, Best and Worse Investment Platforms (June 2018)
3 Source: Platforum UK D2C Guide (July 2018)
4 Source: Compeer Limited XO Quarterly Benchmarking Report Quarter 1 2018
5 Net Promoter, NPS and the NPS-related emoticons are registered service marks and Net Promoter Score and Net Promoter Systems are service marks of Bain & Company Inc., Satmetrix Systems, Inc. and Fred Reichheld.



DRAWDOWN: I'VE FOUND THE RIGHT BALANCE BETWEEN SAVING AND HELPING MY SEVEN GRANDCHILDREN – Mr Draper

A friend recommended HL to me, it offered me more control over my pension (including having an online account) and I found the information I received about drawdown very helpful.

I have been using the Wealth 150 to help build a diversified portfolio of investments from around the world. I'm currently drawing a small amount of income from my pension. I've found the right balance between saving funds for the future, spending enough to enjoy my retirement and helping my seven grandchildren. All whilst not paying more tax than I need to. Managing my income independently gives me the flexibility I need to achieve that balance.

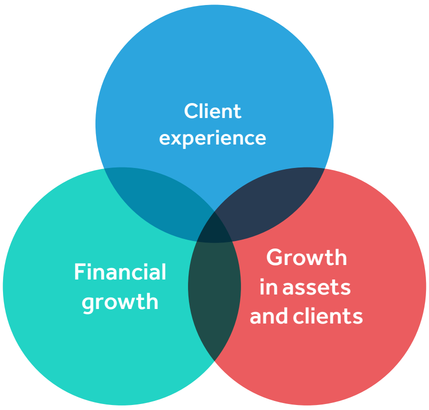
Hargreaves Lansdown has been really helpful. There hasn't been a question they've been unable to answer. It's definitely proved to be worthwhile moving from my previous provider.

For more information, please see **www.hl.co.uk/pensions**

STRATEGY AND KPIs
MEASURING OUR PERFORMANCE

> Our vision is to be a household name known as the best place for savers and investors in the UK.

We focus on providing an unrivalled and evolving client experience, using it to deliver deeper relationships so we become one of the few companies that clients connect with regularly in their daily lives. Delivering high levels of client retention, client satisfaction and an increased use of our services drives net new business flows from existing and new clients. This provides the engine for financial growth, enabling reinvestment into the client experience whilst generating returns for shareholders.



When reviewing performance the Directors use a number of alternative performance measures which are explained on page 154 followed by a glossary of terms used in this report.

We use the following Key Performance Indicators (KPIs) to measure the progress and success of our strategy implementation:

Client experience

Client retention rate
Based on the monthly lost number of clients, as a percentage of the opening months' Vantage clients and averaging for the year.

Why
A high client retention rate is a sign that clients are happy with the service we provide and that it fulfils their investment needs. The longer a client is with Hargreaves Lansdown, the more assets they are likely to accumulate. High retention provides more certainty of future earnings.

Principal risks
Strategic, operational, legal and regulatory conduct.

Progress in the year
- Negotiated further discounts with fund management groups. Discounts on the Wealth 150 are on average 14bps.
- Active Savings introduced in January 2018.
- Simply Invest launched April 2018.
- Improved visibility for clients of income from their investments.

Result
94.3% (2017: 94.7%)

Net Promoter Score℠
Based on May 2018 and May 2017 client surveys of 16,361 and 14,674 respondents respectively, using the Net Promoter Score methodology. The survey covered Hargreaves Lansdown clients only.

This measures the willingness of existing clients to recommend the services of Hargreaves Lansdown to others. It provides a measure of our clients' overall satisfaction and loyalty to the brand. A high score will have a positive effect on gathering more clients, particularly friends and family, and therefore AUA.

Principal risks
Strategic, operational, legal and regulatory conduct.

Progress in the year
- Improved security on how clients access their accounts.
- Increased staff numbers in helpdesk and operational roles.
- Further enhancements to the HL app delivering a NPS of 61% among mobile users.
- Although the overall NPS has decreased during the year, it is still a very high score within the financial services sector.

Result
50.3% (2017: 60.5%)

Net Promoter, NPS, and the NPS-related emoticons are registered service marks, and Net Promoter Score and Net Promoter System are service marks, of Bain & Company, Inc., Satmetrix Systems, Inc. and Fred Reichheld.

Average accounts per client
Average numbers of active accounts held per client and averaging for the year.

Why
Provides an indicator of how widely our clients are using Hargreaves Lansdown throughout their financial life.

Principal risks
Strategic, legal and regulatory.

Progress in the year
- Increased numbers of clients opening Income Drawdown and LISA accounts.
- We continue to win Corporate schemes and hence new individual clients to whom we can actively market other accounts.
- Additional online functionality delivered such as SIPP top ups, W8BEN forms and additional companies added to the online transfer system.

Result
1.3 (2017: 1.3)

Website visits

Why
Provides a view of the engagement and reach that Hargreaves Lansdown has with its digital footprint.

Principal risks
Strategic, operational, legal and regulatory.

Progress in the year
- Rebranding of our website and visual identity with an appeal to a wider audience.
- Enhanced functionality of the mobile app.
- More personalised communications, content and guidance.

Result
169M (2017: 138m)

Growth in assets and clients

Net new business
Represents subscriptions, cash receipts, cash and stock transfers in, less withdrawals and assets transferred out.

Why
Net new business is an indicator of the trust and security clients place in Hargreaves Lansdown along with the perceived value of the client offering. The greater the assets gathered, the greater the revenue.

Principal risks
Strategic, legal and regulatory, conduct, operational, financial.

Progress in the year
- Record net new business of £7.6 billion, increased market share and AUA grew 16% to £91.6 billion.

Result
£7.6BN (2017: £6.9bn)

Net new clients
Represents the change in number of active clients between the opening and closing position for the year (unique number of clients holding at least one PMS or Vantage account with a value over £100 at the year-end).

Why
The greater the number of new clients, the better the potential for growing AUA.

Principal risks
Strategic, operational, legal and regulatory, conduct.

Progress in the year
- Launch of the Lifetime ISA phase 2.
- New expertise added in digital marketing to understand and serve our clients better.
- New Corporate schemes and members added.

Result
137,000 (2017: 118,000)

Financial growth

Profit before tax (PBT)

Why
Gathering and retaining assets and clients drives revenue. This is managed on a scalable platform to deliver improved operating profits.

Principal risks
Strategic, operational, legal and regulatory, financial.

Progress in the year
- PBT grew 10% on the back of strong growth in assets and clients.

Result
£292.4M (2017: £265.8m)

Diluted earnings per share (EPS)

Why
This is a measure of profit per share and is a metric used to determine value delivered to shareholders.

Principal risks
Strategic, operational, legal and regulatory, financial.

Progress in the year
- The growth in diluted EPS was driven by the scalability of the business model and continued strategic execution.

Result
49.6P (2017: 44.6p)

RISK MANAGEMENT AND THE PRINCIPAL RISKS AND UNCERTAINTIES

EVALUATING AND MANAGING RISKS

> The Group's Risk Management Framework is designed to manage risk within agreed appetite levels and is aligned to delivering both the Group strategy and fair outcomes for our clients.

RISK MANAGEMENT

The Board has ultimate responsibility for the Group's risk management, risk strategy and determining an appropriate risk appetite as well as setting the tolerance levels within which the Group must operate. To assist the Board in discharging its responsibilities, the Group has implemented a comprehensive approach to identifying, mitigating, managing and monitoring risk which is described below.

The Group has a process for identifying, evaluating and managing the principal risks that it faces across the universe of risks, based upon risk appetites and monitoring via the risk reporting process.

Governance of the risk and control framework

Risk management is acknowledged to be a core responsibility of all colleagues at Hargreaves Lansdown. The oversight of risk and controls management is provided by Board committees and the Group Risk and Compliance functions.

Key governance committees relating specifically to the maintenance and oversight of the risk and control environment are the Executive Committee, the Executive Risk Committee (ERC), CASS Committee, the Risk Committee, the Audit Committee and the Investment Committee. It is understood by the Chairs of all Committees, both Board and Executive, that risk is a core theme which is evident in all committee discussions. The activities of the Board and Executive Committees are detailed in the Corporate Governance section, page 54-60 .

Figure 1: Board and Executive Committees

Risk framework

The departmental risk register process is the foundation of the Group's risk framework. Each functional business area completes a risk assessment, facilitated by the Group Risk team. This is reviewed alongside the periodic control performance assessments and Key Risk Indicators (KRIs) to ensure emerging risks are also captured and managed. Risk owners give consideration to relevant operational losses, process changes or system amendments within the department. Where controls are insufficient, management defines improvements to bring risks within agreed tolerance levels. Identified risks that have a sufficiently high likelihood of potential impact on the Group are reported in the risk dashboard to ensure they receive a suitably high level of Executive and Board attention. The Executive and Board take action where the risks are outside of tolerance levels or may become so.

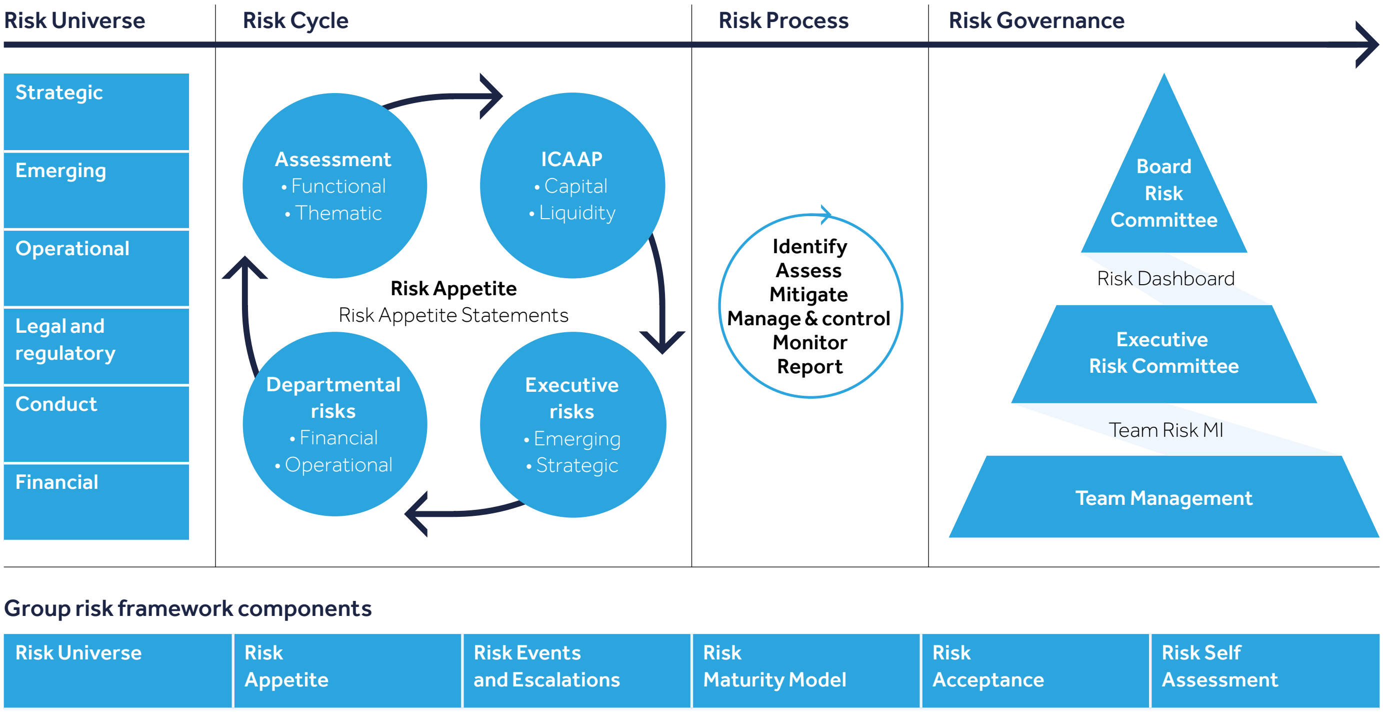


Figure 2: Risk Framework and Reporting Schematic

Risk universe

Hargreaves Lansdown has a comprehensive risk framework (see figure 2), capturing both forward looking risks (executive risks) and current business as usual risks (departmental risks). The executive risks are either strategic or emerging risks. The departmental risks are the consolidated view of the risks to which the business area is currently exposed (and would impact business as usual) and are managed in the course of normal business activity. Risk materials are reviewed by the Board and Executive Management teams on a rolling basis with support from the second line business functions. Hargreaves Lansdown has an agreed and documented risk universe, which sets out the high level risk categories to which the business is exposed and to which all risks are linked. Risks are captured using both top-down and bottom-up approaches and each risk is assigned to an agreed risk owner. The risk universe ensures that there is completeness in the capture of risks and that there is consistency of treatment across all risk categories. The Executive and Departmental Risk categories are explained in the Risk Reporting Process section below.

Risk appetite

The Board has agreed risk appetite statements and risk tolerance levels. The appetite statements cover all areas of the risk universe and are linked to a set of Key Risk Indicators (KRIs). The Group uses the risk framework to balance risk and reward within the capital adequacy levels agreed under the Internal Capital Adequacy Assessment Process (ICAAP) regime.

Risk appetite is defined, monitored and reported at Board and the Risk Committee. The statements and associated metrics are agreed, at a minimum, annually.

For each risk appetite statement, the Board has agreed inner and outer limits, which set out the levels for formal escalation. A breach of the inner level requires escalation to the Executive Risk Committee (or the Treasury Committee if applicable), a breach of the outer level requires escalation to the Risk Committee. A further layer of risk appetite management is in place through the operational risk limits (and KRIs) agreed for the risks captured under the Operational Risk category. These limits are managed by the Risk Team, with oversight and approval from the Executive Risk Committee.

RISK MANAGEMENT AND THE PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

Risk reporting process

Risk universe data is reported on a monthly basis by the Risk team in a risk dashboard, ensuring that there are appropriate levels of transparency, discussion and challenge. The dashboard reports on all the core elements of risk management, including: risks, risk appetite and risk events. Risk data is also reviewed in local management meetings. The risk data reported is based on the management information provided by departments as well as cross department functions such as second line Risk and Compliance functions.

The first line of defence owns and is responsible for managing risk. There are also teams with areas of specific focus to support the maintenance of a strong control framework. Key examples of first line control functions include:

- CASS Oversight team – provides guidance to operational teams on CASS and provides oversight of the CASS control environment
- Oversight team – provides risk and control support to Operations, creates Management Information for the Operations Management Team and manages the Operations process framework
- Hargreaves Lansdown has a dedicated IT Security team which manages, tests and controls the cyber control environment

In the second line of defence, the Compliance and Risk function includes teams focused on prevention of money laundering, prevention and detection of fraud, and data protection.

Internal Capital Adequacy Assessment Process

The primary purpose of the Internal Capital Adequacy Assessment Process (ICAAP) is to ensure that there is a clear, accurate and transparent link between the risk profile of the business and the capital held by the firm. The ICAAP is overseen by the Risk Committee, with day to day management of compliance by the Risk team.

The key elements of the ICAAP are reviewed on a cyclical basis by the Executive Risk Committee prior to discussion, challenge and approval by the Risk Committee. The ICAAP activity is integrated into the wider risk framework, ensuring consistency in risk reporting, and a clear link between the detailed departmental risk registers and the capital held by the business.

PRINCIPAL RISKS AND UNCERTAINTIES

The Board regularly assesses the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.

In making such an assessment the Board considers the likelihood of each risk materialising in the short and longer term. The Board has considered the principal risks, in arriving at the viability statement below.

The principal risks and uncertainties faced by the Group are detailed below. The principal risks are categorised into strategic, legal and regulatory, conduct, operational and financial in accordance with our risk framework .

Management and the Board regularly discuss emerging risks. Topics discussed during the period included Brexit, the market place, communications from the FCA and the gender pay gap .

Risk is increasing
Risk is stable
Risk is reducing

Strategic Risks

FAILURE TO PROVIDE PROPOSITIONS AND SERVICES TO DELIVER STRATEGIC OBJECTIVES

Owner: **Client Director**	2017-2018 **Change**	Link to strategy: **Developing our proposition**	Link to HL values: **Put the client first, do the right thing, make it easy**

Risk
That we fail to provide propositions and services to the market to meet the demands of our clients and prospective clients negatively impacting our strategic objectives

Potential impact
Negative impact on achievement of AUA and client number strategic targets. It is likely this would have a negative impact on our reputation as an innovative market leader

Mitigation and controls
- The Executive team and Board discuss strategy in the context of propositional design and service enhancement on a regular basis
- Dedicated proposition / client experience team
- Client testing workshops
- Product governance process
- An operational plan is in place prioritising development

Key Risk Indicators
- NNB v forecast
- Net Promoter Score
- Client satisfaction
- Client retention
- Complaints

2017/18 activity
- Launch of the Active Savings proposition
- Launch of Simply Invest
- Regular capture and analysis of client feedback through a number of mediums including customer surveys, real time questionnaires and Net Promoter Score

INAPPROPRIATE IT ARCHITECTURE TO SUPPORT STRATEGIC GROWTH OF THE BUSINESS

Owner: **Chief Information Officer**	2017-2018 **Change**	Link to strategy: **Harnessing technology/expertise**	Link to HL Values: **Do the right thing, do it better**

Risk
That our IT solutions are unable to support our client growth objectives and achieve efficiency targets

Potential impact
This could result in a poor experience for clients due to an inability to provide accurate and efficient processing of business and transactional experience

Mitigation and controls
- IT architecture plan
- Rolling internal and external monitoring of IT environment
- Operational plan, including prioritisation of IT development
- Expanded development capability through establishing an IT development hub in Poland

Key Risk Indicators
- System availability
- Status of critical projects

2017/18 activity
- New HL Tech business in Warsaw, Poland, increasing our IT development capability
- Continued development and evolution of our core architecture
- Platform security improvements

RISK MANAGEMENT AND THE PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

Legal and Regulatory Risks

INEFFECTIVE MANAGEMENT AND DELIVERY OF ALL REGULATORY CHANGE TO OUR BUSINESS

Owner:
Risk and Compliance Director

2017-2018
Change

Link to strategy:
Ensuring regulatory compliance

Link to HL values:
Put the client first, do the right thing, make it easy, do it better

Risk
Failure to deliver regulatory change on time or to the required standard and the impact of the volume of regulatory change on the business

Potential impact
Non-compliance with regulation

Missed opportunities to achieve competitive advantage through the approach to implementation

Mitigation and controls
- Compliance plan
- Group operating plan
- Change Committee meets monthly to review and challenge progress of regulatory change projects designed to ensure business readiness
- The Compliance function performs horizon scanning to ensure the Group has timely visibility of future regulatory change
- Ongoing dialogue with the FCA

Key Risk Indicators
- Volume of new regulations, consultations and discussion papers
- Number of regulatory change projects

2017/18 activity
- Delivery of MiFID II, GDPR and PSD2 projects
- Ongoing CASS environment review and improvement activities
- Initiated project on SMCR

Conduct Risks

NEGATIVE CLIENT OUTCOMES

Owner:
Chief People Officer & Client Director

2017-2018
Change

Link to Strategy:
Investing in client experience

Investing in people

Link to HL Values:
Put the client first, go the extra mile, do the right thing, make it easy, do it better

Risk
That our culture loses client centricity in relation to service provision and propositional design and/or that it ceases to be innovative in the market and deliver the appropriate services as promised to our clients

Potential impact
This could result in poor client outcomes that also prevent the achievement of our growth targets

Mitigation and controls
- Refresh of values and behaviours with strong client focus
- Business plans linked to Colleague Surveys
- Senior management meet monthly to oversee and drive client experience, people and culture related activity
- Regular Conduct Risk Management Information, discussed at the Executive Risk Committee

Key Risk Indicators
- Net Promoter Score
- Client satisfaction
- Client retention
- Complaints
- Dealing errors
- Colleague turnover rate

2017/18 activity
- Conduct Risk Workshops with Senior Management and local management teams
- Embedding the Conduct Risk policy, associated KRIs and the product development framework
- New performance development model

Operational Risks

POOR PERFORMANCE OF OUR OPERATIONAL CONTROL ENVIRONMENT

Owner:	2017-2018	Link to strategy:	Link to HL values:
Chief Financial Officer	**Change** (Risk is reducing)	**Investing in the scale, efficiency and skills of Helpdesk and Operations** **Looking after client data and assets securely** **Investing in client experience**	**Put the client first, do the right thing, make it easy, do it better**

Risk

That our clients suffer from poor levels of client service or that the business experiences a material error in delivering to our clients due to weaknesses in the operational control environment

Potential impact

This could result in a poor experience for clients, and/or regulatory considerations from the FCA or other regulatory bodies.

Mitigation and controls

- Group Risk Management Framework
- Process manuals and process mapping
- Operational MI
- Ongoing first line of defence monitoring of controls
- First line control testing and self-assessment and certification of risk by senior management (attestations)
- Control focus at key governance forums, including CASS Committee, Operations Risk and Control Committee, Executive Risk Committee, Risk Committee and Audit Committee

Key Risk Indicators

- Complaints
- Manual dealing errors
- Client retention
- Risk events
- Process efficiency and effectiveness statistics

2017/18 activity

- Implementation of a revised process framework model
- Process efficiency improvements, including process management and process design.
- Review and enhancement of risk materials and controls detail
- New resource planning solution embedded
- Selection of a risk tool, deployed in the first half of 2018

RISK MANAGEMENT AND THE PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

Operational Risks continued

INSUFFICIENT BUSINESS CONTINUITY AND DISASTER RECOVERY SOLUTIONS

Owner:	2017-2018	Link to strategy:	Link to HL values:
Chief Information Officer	**Change** ↓	**Investing in client experience**	**Do the right thing, do it better**

Risk
Physical business continuity event or catastrophic loss of systems, or other external event could cause disruption to our business and result in inability to perform core business activities or reduction in client service

Potential impact
Inability to service client needs and severe reputational damage if not properly managed

Mitigation and controls
- Business Continuity and Disaster Recovery plans tested regularly
- Dual hosting of all critical servers, telecommunications and applications
- Separate business continuity/disaster recovery site available 24/7

Key Risk Indicators
- Performance of BCP & DR tests

2017/18 activity
- Upgrade of our HL-owned disaster recovery site improving functionality
- Review of desks provided by third party recovery site, ensuring sufficient capacity
- Testing of BCP and DR solutions

MAINTENANCE OF A ROBUST FINANCIAL CRIME, DATA PROTECTION, AND CYBERCRIME CONTROL ENVIRONMENT

Owner:	2017-2018	Link to strategy:	Link to HL values:
Chief Information Officer & Risk and Compliance Director	**Change** ↑	**Looking after client data and assets securely** **Ensuring regulatory compliance**	**Put the client first, go the extra mile, do the right thing, make it easy, do it better**

Risk
Failure to protect against cybercrime, fraud or security breaches

Potential impact
Loss of data or inability to maintain our systems resulting in client detriment and reputational damage

Fraudulent activity leading to identity fraud and/or loss of client holdings to fraudulent activity

Whilst this risk receives continuous investment and a high level of focus, and Hargreaves Lansdown maintains a strong and ever-improving cyber control environment, the risk is seen as increasing due to the scale and sophistication of cyber criminals

Mitigation and controls
- Dedicated Chief Information Security Officer and team, and a Security Operations Centre focused on the detection, containment, and remediation of information security threats
- Dedicated Information Security, Anti Money Laundering and Client Protection teams in place
- Formal policies and procedures and a robust, rolling risk-based programme of penetration and vulnerability testing in place

Key Risk Indicators
- Volume of internal process breaches (anti-money laundering, data protection and cyber security)
- Number of attempted fraud events
- Security breaches at third parties which impact us
- Client account takeover attempts
- Distributed denial of service attacks
- Cyber intrusion attempts
- Regular AML monitoring and reporting

2017/18 activity
- A programme of training and awareness
- Expansion of the Security Operations Centre
- Continuous cycle of cyber control improvements

Financial Risks

PERFORMANCE OF MARKETS

Owner: **Chief Financial Officer**	2017-2018 **Change** (reducing)	Link to strategy: **Client experience** **Financial performance**	Link to HL values: **N/A**

Risk
Fluctuations in capital markets may adversely affect trading activity and/or the value of the Group's Assets Under Administration or Management, from which we derive revenues

Potential impact
Downturns in the market and resultant drops in AUA and AUM will have a negative impact on Hargreaves Lansdown's revenue

Mitigation and controls
- The Group business model comprises both recurring platform revenue and transaction-based revenue
- A high proportion of the Assets Under Administration are held within tax-advantaged wrappers, meaning there is a lower risk of withdrawal

Key Risk Indicators
- Interest rates
- FTSE 100

2017/18 activity
- Ongoing discussion in Executive Committee and Executive Risk Committee as an emerging risk

Assessment process for the Viability Statement

In accordance with provision C.2.2 of the UK Corporate Governance Code, the Directors have assessed the viability of the Group over the three year period to June 2020 and confirm that they have a reasonable expectation that the Group will continue to operate and meet its liabilities up to this date. The Directors' assessment has been made with reference to the Group's current position and strategy, the Board's risk appetite, the Group's financial forecasts and the Group's principal risks and uncertainties, as detailed in the Strategic report.

The Board considers that a time horizon of three years is an appropriate period over which to assess its viability and prospects, and to plan the execution of its strategy. This assessment period is consistent with the Group's current strategic forecast and ICAAP. The strategic forecast is approved annually by the Board and regularly updated as appropriate. It considers the Group's profitability, cash flows, dividend payments, capital requirements and other key variables such as exposure to principal risks. It is also subjected to stress tests and scenario analysis, such as fluctuations in markets, increased competition and disruption to business, to ensure the business has sufficient flexibility to withstand these impacts by making adjustments to its plans within the normal course of business.

Philip Johnson
Chief Financial Officer

OPERATING AND FINANCIAL REVIEW
CREATING VALUE

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Creating long-term value by balancing growth, investment in our strategy and providing an attractive dividend stream to shareholders.

Assets Under Administration (AUA) and Net New Business (NNB)

	Year ended 30 June 2018 £bn	Year ended 30 June 2017 £bn
Opening AUA	**79.2**	61.7
Underlying NNB	**7.6**	6.9
Market growth and other	**5.9**	10.6
Founder transfers[1]	**(1.1)**	–
Closing AUA	**91.6**	79.2

1 Underlying net new business excludes the transfer off the Vantage platform of £902 million of Hargreaves Lansdown plc shares and the withdrawal of £188 million of Hargreaves Lansdown plc placing proceeds that were held by a founder.

The diversified nature of Hargreaves Lansdown, the breadth of our product offering and the provision of high quality services tailored to the needs of our clients has allowed us to deliver another strong year for NNB and significant growth in AUA. We believe the Group's focus on client service is core to our success as a business and positions us well for the structural growth opportunity in the UK savings and investments market.

Net new business for the year totalled a record £7.6 billion. This was driven by increased client numbers and continued wealth consolidation onto our platform. We also benefited from significant transfer activity relating to operational issues on competitor platforms, which shows the benefit of our strong reputation for client service. Our increased focus on digital marketing has been key in winning new clients and engaging with existing ones, ensuring we become integral to their lives in terms of saving and investing for the future.

During the year to 30 June 2018 we introduced 137,000 net new clients to our services and grew our active client base a further 14% to 1,091,000. This increased client size underpins future growth as clients add new money to their accounts, particularly through the use of annual tax allowances in the SIPP and ISA. Over a period of time, clients also typically consolidate their investments through transfers onto our platform.

Total AUA increased by 16% to £91.6 billion as at 30 June 2018 (£79.2 billion as at 30 June 2017). This was driven by £7.6 billion of NNB, higher market levels which added a further £5.9 billion and offset by £1.1 billion of transfers off our platform by one of our founders.

This growth was supported by our continued high retention rates. Our focus on service and the value our clients place on our offering is evidenced by client and asset retention rates remaining strong at 94.3% and 93.4% respectively.

OPERATING AND FINANCIAL REVIEW CONTINUED

Financial performance

Income statement

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Net revenue	**447.5**	385.6
Operating costs	**(158.7)**	(126.7)
Fair value gains on derivatives	**2.3**	2.2
Non-operating income	**1.5**	4.7
Finance costs	**(0.2)**	-
Profit before tax	**292.4**	265.8
Tax	**(55.7)**	(53.8)
Profit after tax	**236.7**	212.0

2018 was another strong year as profit before tax grew by a further 10% to £292.4 million.

Net revenue

Total net revenue for the year was £447.5 million, up 16% (2017: £385.6 million), driven by higher asset levels and increased client share dealing activity. Within this, the proportion of recurring revenue remained stable at 77% (2017: 77%).

The table below breaks down net revenue, average AUA and margins earned across the main asset classes which our clients hold with us.

	Year ended 30 June 2018			Year ended 30 June 2017		
	Net revenue £m	**Average AUA £bn**	**Net revenue margin bps**	Net revenue £m	Average AUA £bn	Net revenue margin bps
Funds[1]	**198.0**	**48.4**[6]	**41**	169.2	40.9[6]	41
Shares[2]	**89.6**	**28.3**	**32**	76.3	23.3	33
Cash[3]	**42.1**	**8.8**	**48**	36.6	7.5	49
HL Funds[4]	**67.2**	**9.1**[6]	**74**	56.5	7.7[6]	73
Other[5]	**50.6**	**–**	**–**	47.0	–	–
Double-count[6]	**–**	**(9.1)**[6]	**–**	–	(7.7)[6]	–
Total	**447.5**	**85.5**[6]	**–**	385.6	71.7[6]	–

1 Platform fees and renewal commission.
2 Stockbroking commission and equity holding charges.
3 Net interest earned on client money.
4 Annual management charge on HL Funds, i.e. excluding the platform fee, which is included in revenue on funds.
5 Advisory fees, Funds Library revenues and ancillary services (e.g. annuity broking, distribution of VCTs and Hargreaves Lansdown Currency and Market Services).
6 HL Funds AUM included in Funds AUA for platform fee and in HL Funds for annual management charge. Total average AUA excludes HL Fund AUM to avoid double-counting.

Net revenue on Funds increased by 17% to £198.0 million (2017: £169.2m) due to AUA growth from net new business and higher market levels. Funds remain our largest client asset class at 56% of average AUA (2017: 57%), and the net revenue margin earned on these this year was 41bps (2017: 41bps). Net revenue margins on Funds have been broadly stable following the completion of RDR and we continue to expect them to remain at similar levels over the next 12 months. Funds AUA at the end of 2018 was £51.0 billion (2017: £45.7bn).

Net revenue on Shares increased by 17% to £89.6 million (2017: £76.3m) and the net revenue margin was 32bps (2017: 33bps), within our expected range of 27bps to 33 bps. The impact of higher equity dealing volumes, up 8% on the prior year, has been offset by a marginally slower rate of growth in management fees versus stockbroking revenue leading to a slight margin decline. Management fees for shares charged in the SIPP and Stocks and Share ISA accounts are capped once holdings are above £44,444 in the SIPP and £10,000 in the ISA. This also causes some dilution to the margin over time as clients grow their portfolio of shares. Shares account for 34% of the average AUA (2017: 32%). Following a foreign exchange transaction cost reduction in overseas trading we continue to expect the margin on Shares to be centred around 30bps over the next 12 months, with a range around this depending on actual dealing volume levels. Shares AUA at the end of 2018 was £31.0 billion (2017: £25.4bn).

Net revenue on Cash increased by 15% to £42.1million (2017: £36.6m) as increased cash levels offset a slight decline in the net interest margin to 48bps (2017: 49bps). This was in line with our communicated expectations at the Interim results announced in February 2018 that margins would be within a 40bps to 50bps range. Cash accounts for 10% of the average AUA (2017: 11%). At the start of the year the Bank of England base rate was 0.25% before being increased to 0.50% in November 2017. With the majority of clients' SIPP money placed on rolling 13month term deposits, and non-SIPP money on terms of up to 95 days, the full impact of the rate rise takes over a year to flow through. Following the base rate change to 0.75% on 2 August 2018 and assuming no further rate changes, we anticipate the cash interest margin for the 2019 financial year will be in the range of 60bps to 70bps. Cash AUA at the end of 2018 was £9.6 billion (2017: £8.1bn).

HL Funds consist of ten Multi-Manager funds, on which the management fee is 75bps per annum, and two Select equity funds launched in December 2016 and March 2017, on which the management fee is 60bps. Net revenue from these funds has grown by 19% this year to £67.2 million (2017: £56.5m) thanks to higher market levels and continued net inflows. These fees are collected on a daily basis whereas the Group calculates average AUM on a month end basis, resulting in a headline margin for the period of 74bps (2017: 73bps). Note that the platform fees on these assets are included in the Funds line and hence total average AUA of £85.5 billion (2017: £71.7 billion) excludes HL Funds AUM to avoid double-counting. HL Funds AUM at the end of 2018 was £9.6 billion (2017: £8.8bn).

Other revenues are made up of advisory fees, our Funds Library data services and ancillary services such as annuity broking, distribution of VCTs and the Hargreaves Lansdown Currency and Market Services. These revenues are primarily transactional and grew by 7%.

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Net recurring revenue	**344.9**	296.9
Transactional revenue	**94.0**	81.2
Other revenue	**8.6**	7.5
Total net revenue	**447.5**	385.6

The Group's revenues are largely recurring in nature, as shown in the table above, with the proportion of net recurring revenues remaining constant at 77% (2017: 77%). Net recurring revenue is primarily comprised of platform fees, Hargreaves Lansdown fund management fees, interest on client money, equity holding charges and ongoing advisory fees. This grew by 16% to £344.9 million (2017: £296.9 million) due to increased average AUA from higher market levels and continued net new business. Recurring revenues provide greater profit resilience and hence we believe they are of higher quality than non-recurring revenues.

Transactional revenue is primarily made up of stockbroking commission and advisory event-driven fees. This grew by 16% to £94.0 million (2017: £81.2 million) with an 8% increase in equity deal volumes being the key driver.

Other revenue is derived from the provision of funds data services and research to external parties through Funds Library. This was up 15% from £7.5 million to £8.6 million driven by new MiFID II services, additional contract wins and targeted price increases.

Operating costs

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Staff costs	**87.4**	68.6
Marketing and distribution costs	**16.3**	14.3
Depreciation, amortisation & financial costs	**10.3**	9.0
Other costs	**41.2**	30.6
	155.2	122.5
Total FSCS levy	**3.5**	4.2
Total operating costs	**158.7**	126.7

Operating costs increased by 25% to £158.7 million (2017: £126.7 million) to support higher client activity levels, maintain client service and invest in the significant growth opportunities we see ahead for Hargreaves Lansdown.

As highlighted in last year's results, we consciously and significantly increased our investment in people, digital marketing and technology during the 2017 financial year. We believe the Group's focus on client service is core to our success and necessary to capture the structural growth opportunity in the UK savings and investments market. This investment has continued throughout this year and has been validated by the strong net new business levels and net new clients we have seen across the past 12 months, high client retention rates and continued development of our product set and growth capabilities during the period. We have also had to cope with an unprecedented level of regulatory changes whilst investing to increase efficiency and maintain the future scalability of our platform.

Staff costs remain our largest expense and rose by 27% to £87.4 million (2017: £68.6 million). Average staff numbers increased by 34% from 1,043 in 2017 to 1,398 in 2018 with the key increases being in Technology, including the build out of HL Tech in Warsaw, on the Helpdesk and in Operations, in line with higher client activity levels, and Marketing. Hargreaves Lansdown is a growing business and higher client numbers and associated activity levels will continue to require investment in our servicing functions as we look forward. Technology and efficiency programmes improve our scalability, thereby allowing us to invest productivity gains into extending our proposition and our platform functionality. We believe this reinvestment cycle underpins our future growth.

Marketing and distribution costs increased by 14% to £16.3 million (2017: £14.3 million) as we continued to invest in our digital marketing presence and targeted marketing campaigns for tax year end, cash back mailings, the Lifetime ISA, Active Savings, and our Retirement Services. Use of mobile and digital media remains a key strategic focus of how we engage with existing and potential new clients and as we gain a deeper understanding of client segmentation and our proposition we have refined and improved the effectiveness of the spend. Following significant research and testing, we launched our updated brand and new visual identity on 10 February 2018 and took the opportunity to expand and develop our tone of voice to complement our broader reach at the same time. Feedback has been positive and this should help to improve client engagement and drive the profile of Hargreaves Lansdown.

Depreciation, amortisation and financial costs increased by £1.3 million as a result of higher capital spend in recent years, primarily on our core in-house IT systems, hardware and software for increased employee numbers and the Active Savings platform.

Total capitalised expenditure was £16.1 million this year (2017: £13.1 million). This expenditure was from cyclical replacement of IT hardware, the continued project to enhance the capacity and capability of our key administration systems, the ongoing development of Active Savings and the fit out of the office for HL Tech in Warsaw.

Other costs rose by £10.6 million to £41.2 million (2017: £30.6 million). The key drivers of this were additional dealing costs resulting from higher share dealing transaction volumes, increased computer maintenance and office costs driven by higher employee numbers, increased professional fees relating to strategic initiatives and regulatory projects and irrecoverable VAT on non-staff expenses.

The Financial Services Compensation Scheme (FSCS) levy decreased by 19% to £3.5 million, however, it should be noted that last year benefited from £1.3 million of rebate received relating to the previous year's charge. The FSCS is the compensation fund of last resort for customers of authorised financial services firms. All authorised firms are required to contribute to the running of the scheme and the levy reflects the cost of compensation payments paid by the industry in proportion to the amount of each participant's relevant eligible income.

Profit before tax

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Operating profit	**291.1**	261.1
Finance income	**1.5**	1.2
Finance costs	**(0.2)**	-
Other gains	**–**	3.5
Profit before tax	**292.4**	265.8
Tax	**(55.7)**	(53.8)
Profit after tax	**236.7**	212.0

Hargreaves Lansdown's success is built around the service we provide to our clients. This resulted in record net new business levels of £7.6 billion, a 16% increase in revenues and AUA reaching new highs of £91.6 billion. This has allowed us to consciously increase headcount to ensure we deliver the expected high service standards, while dealing with record volumes of business and investing in further growth opportunities. This investment is key to driving future growth and ensuring we have a scalable operating platform which we believe will be to the benefit of both clients and shareholders across the market cycle. As a result, the Group has grown profit before tax by 10% to £292.4 million (2017: £265.8m) and profits after tax grew by 12% to £236.7 million due to the reduction in the headline statutory corporation tax rate.

Tax

The effective tax rate for the year was 19.0% (2017: 20.2%), in line with the standard rate of UK corporation tax. The Group's tax strategy is published on our website at www.hl.co.uk.

EPS

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Profit after tax	**236.7**	212.0
Diluted share capital (million)	**475.4**	475.0
Diluted EPS (pence per share)	**49.6**	44.6

Diluted EPS increased by 11% from 44.6 pence to 49.6 pence, reflecting the Group's growth in profit after tax. The Group's Basic EPS was 49.7 pence compared with 44.7 pence in 2017.

OPERATING AND FINANCIAL REVIEW CONTINUED

Liquidity and capital management

Hargreaves Lansdown looks to create long-term value for shareholders by balancing our desire to deliver profit growth, capital appreciation and an attractive dividend stream to shareholders with the need to maintain a market-leading offering and high service standards for our clients.

The Group seeks to maintain a strong net cash position and a robust balance sheet with sufficient capital and liquidity to fund ongoing trading and future growth, in line with our strategy of offering a lifelong, secure home for people's savings and investments. The Group has a high conversion rate of operating profits to cash and its net cash position at 30 June 2018 was £343.5 million (2017: £255.9 million) as cash generated through trading offset the payments of the 2017 final dividend and the 2018 interim dividend. This includes cash on longer-term deposit and is before funding the 2018 final dividend of £104.7 million and special dividend of £37.0 million.

During the period, the Group entered into a Revolving Credit Facility agreement with Barclays Bank to provide access to a further £75 million of liquidity. This is currently undrawn and was put in place to further strengthen the Group's liquidity position and increase our cash management flexibility. The Group also funds a share purchase programme to ensure we avoid any dilution from operating our share-based compensation schemes.

The healthy net cash position provides both a source of competitive advantage and support to our client offering. It provides security to our clients, giving them confidence to manage their money through us over many years, and allows us to provide them with an incredible service, for example through using surplus liquidity to allow same day switching between products that have mismatched settlement dates.

Capital

	30 June 2018 £m	30 June 2017 £m
Shareholder funds	**404**	307
Less: goodwill, intangibles and other deductions	**(24)**	(19)
Tangible capital	**380**	288
Less: provision for dividend	**(142)**	(97)
Qualifying regulatory capital	**238**	191
Less: estimated capital requirement	**(159)**	(133)
Surplus capital	**79**	58

Total attributable shareholders' equity, as at 30 June 2018, made up of share capital, share premium, retained earnings and other reserves increased to £404.0 million (2017: £306.9 million) as continued profitability and the Board's decision to retain additional capital resources following the reassessment of the Group's regulatory capital requirements by the FCA in August 2017 more than offset payment of the 2017 final dividend and the 2018 interim dividend. After having made appropriate deductions as shown in the table above, surplus capital amounts to £79 million.

The Group has five subsidiary companies authorised and regulated by the Financial Conduct Authority. These firms have capital resources at a level which satisfies both their regulatory capital requirements and their working capital requirements and, as a group, we maintain a robust balance sheet retaining a capital base over and above regulatory capital requirements. Further disclosures are published in the Pillar 3 document on the Group's website at www.hl.co.uk.

Dividend policy and 2018 declarations

Hargreaves Lansdown has a progressive ordinary dividend policy. The Board considers the dividend on a total basis, with the intention of maintaining the ordinary dividend payout ratio at around 65% across the market cycle and looking to return excess cash to shareholders in the form of a special dividend after the year-end. Any such return will be determined according to market conditions and after taking account of the Group's growth, investment and regulatory capital requirements at the time.

Dividend (pence per share)

	2018	2017
First interim dividend paid	**10.1p**	8.6p
Final dividend declared	**22.1p**	20.4p
Total ordinary dividend	**32.2p**	29.0p
Special dividend	**7.8p**	–
Total dividend	**40.0p**	29.0p

Reflecting this policy the Board has declared a 2018 total ordinary dividend of 32.2 pence per share (2017: 29.0p), 11% ahead of last year. This is in line with EPS growth and maintains the ordinary dividend payout ratio at 65%. In addition the Board has declared a special dividend of 7.8 pence per share (2017: nil). The 2018 total dividend of 40.0 pence per share (2017: 29.0p) is up 38% and results in a total dividend payout ratio of 80.6% (2017: 65%). Subject to shareholder approval of the final dividend at the 2018 AGM, the final and special dividends will be paid on 19 October 2018 to all shareholders on the register at the close of business on 28 September 2018.

The Board is confident that Hargreaves Lansdown has sufficiently strong financial, liquidity and capital positions to execute its strategy without constraints and can operate a sustainable and progressive ordinary dividend policy going forward. The Board remains committed to paying special dividends in future years should sufficient excess cash and capital exist after taking account of market conditions and the Group's growth, investment and regulatory capital requirements at the time.

Philip Johnson
Chief Financial Officer

6 August 2018

CORPORATE SOCIAL RESPONSIBILITY

> At Hargreaves Lansdown, we want to make sure that our impact on society is positive and sustainable.

We are committed to the principle of Corporate Social Responsibility and want it to be embedded, where appropriate into our policies and practices to the benefit of stakeholders and the wider community with long-term sustainable outcomes for all.

Our purpose is to "empower people to save and invest with confidence". Achieving this will help them to make more of their money throughout their lifetime. Our values are rooted in placing the client at the heart of what we do. We believe that doing the right thing for clients and colleagues makes great business sense. We work for the long-term, looking beyond immediate success.

We are committed to managing the environmental impact of our operations, treating our colleagues well and maintaining a great culture and working environment based on our values.

Our approach to corporate citizenship is based on four pillars

CLIENTS

Culture and values

At Hargreaves Lansdown we have an embedded culture whereby the interests of clients are always put first and that they must be treated fairly. Our people play a key part in developing and driving this forward. To identify our key values as a business we look to our colleagues to provide real insight, an approach which ensures the values identified are truly reflective of us as a team and authentic:

- We put the client first – we never stop trying to deliver the best client experience, always thinking of how our services can meet our clients' needs. It's their future in our hands.
- We go the extra mile – for our clients and for each other. We focus on what we need to do, then do it well, taking every opportunity to delight, inspire and reassure.
- We do the right thing – every time. We're fair, honest and upfront. Doing what we say we will and the best thing for our clients. It's why they trust us, and how we earn their loyalty.
- We make it easy – looking after people's savings and investments is a serious business, but that doesn't mean it needs to be complex. Everything should be easy to access, understand and do, giving our clients confidence to make important decisions.
- We do it better – energetically leading the way, we seek every chance to do things better and we dare to call out what's not working well, then we fix it.

We have spent time over the last 12 months embedding these five core values with existing colleagues and sharing them with new starters during their induction and then throughout their careers with us.

Putting the client first

Our clients play an important role in shaping our service, new products and features and we actively encourage their views and feedback through surveys and focus groups.

If clients ever feel the need to complain, the complaints handling team carefully investigates our client's complaint and endeavours to provide them with a fair and timely resolution. We benchmark our performance in treating clients fairly against statistics published annually by the Financial Ombudsman Service for the industry. The results for the 2018 financial year compared to the last figures published by the Ombudsman show that Hargreaves Lansdown is both fair and responsive in such circumstances. Where we make mistakes we will ensure that our clients do not suffer poor outcomes.

Going the extra mile

Ensuring that we service our clients needs and exceed their expectations wherever we can is important to us and our broad offering means we have the ability to assist clients throughout their financial lifetime. Clients have differing financial needs and goals. Listening, finding solutions and treating them as individuals ensures we provide our clients with an exceptional personal experience. Examples include opening our helpdesk on Sundays and late into the night during the ever busy tax year end, to help clients meet their tax saving deadlines.

> "Clients are at the heart of all we do."

Doing the right thing

We pride ourselves on our integrity in all our dealings and decisions as a business with the aim of being clear, fair and transparent.

We recognise that the views and experience of our colleagues are important and through our Whistleblowing Policy we encourage our people to raise any concerns about malpractice or wrongdoing within the workplace. All concerns are treated with the utmost confidence and in full compliance with the Public Interest Disclosure Act 1998.

All colleagues undergo annual training which includes anti-money laundering, protecting client money, spotting market abuse, data protection, information security and fraud prevention.

Making it easy

The easier something is to do, the greater the number of people who will do it. To encourage people to engage with their finances and make good decisions we aim to make dealing with us as easy and efficient as possible. Our client experience team is dedicated to making things easier for people, monitoring frequent problems and pinch-points on client journeys and using these insights to streamline interactions enabling clients to conduct their business with the minimum of hassle through whichever channel they choose.

Information on our website is easy to find, application processes only ask for the information we really need, and if you contact us by telephone you will be put through directly to a knowledgeable person rather than an automated telephone system.

Our clients range from first time investors, to the highly experienced and the ongoing challenge is to maintain focus on individual client needs and have a broad appeal to anyone who wants to engage in saving and investing. Our recent rebrand is part of our efforts to make investing more accessible to a wider audience.

Doing it better

We continue to innovate around our clients' needs through challenging ourselves to always deliver better solutions, better services and a better experience. Our recently launched Active Savings service provides clients with the same experience with their cash savings as they have with their investments, making it simple and easy to move money from one account to another to get better rates on their cash. This innovation came as a result of listening to our clients and the problems they had, before coming up with a market-leading solution.

Through our recent investment in the Active Savings service, improved mobile experience and our HL Select funds, we demonstrate our consistent desire to deliver new ways to help clients with their savings and investments.

Campaigning on behalf of investors

We always endeavour to do the right thing for our clients and other stakeholders. We actively seek to lobby via public consultation and with policymakers where we believe that investors in the UK will benefit. Examples include lobbying for pension and investment companies like Hargreaves Lansdown to help their clients with financial guidance; working with government on retirement savings solutions for the self-employed; leading an industry initiative to improve the transfer of investors' money between companies and challenging HMRC on the "discount tax". In March 2017 Hargreaves Lansdown won the "discount tax" HMRC challenge which would mean the return of around £15 million to our clients. However, HMRC has decided to appeal the initial ruling and we now expect a resolution in the first half of 2019.

PEOPLE

We are committed to attracting, developing and retaining talented people who put our clients at the heart of everything we do. Our people are proud of what they achieve together, and have a strong sense of belonging to Hargreaves Lansdown and everyone recognises the crucial role that they play.

Our success is founded on delivering incredible client service through the skills and passion of our people who bring our values to life across the business. We take the responsibility of looking after clients' investments extremely seriously. Only from creating trust and true client focus through our embedded values can we build long-term relationships and deliver on our strategy to the benefit of both clients and shareholders.

Our people strategy

The strength of our people is pivotal to our business and our key areas of focus are:

- To attract, develop and retain outstanding people
- To embed a culture that puts clients at the heart of everything we do
- To establish a strong talent pipeline of people who can deliver our future strategic goals

> "How we create an inclusive and diverse workforce; respecting and valuing the contribution of all our people.

A premier destination for talented people

Hargreaves Lansdown is a premier destination for talented people. The main purpose of our Talent Acquisition strategy is to ensure that we attract and retain the right numbers of talented people to meet the short, medium and longer term needs of the business. As part of delivering our strategy we aim to:

- Increase diversity and inclusion and new perspectives – bringing new talent and ideas to the business
- Support parents returning to work
- Create stronger links with local schools, colleges, universities and communities
- Improve brand awareness amongst young talent and millennials
- Support future recruitment needs

We offer competitive rewards to attract and retain the right people. Independently benchmarked pay and benefits data helps us to do so. We believe that working together as a team is key to our success and so to complement pay we include the majority of our colleagues in a bonus scheme, linked to the success of Hargreaves Lansdown and distributed on an individual performance-related basis identified via a performance appraisal system.

To encourage employees to share in the success of our business we offer immediate entry into our Save as You Earn (SAYE scheme). As at 30 June 2018, 55% of eligible employees were in at least one SAYE scheme.

To complement the direct financial rewards we provide pension contributions which includes a double matching scheme to encourage our colleagues to save for their retirement and extended life insurance protection.

HL Rewards, our flexible benefits scheme, includes health checks, extended holiday entitlements, medical health cover, a health cash plan, discount cards, a cycle to work scheme and child care vouchers.

Widening our recruitment pool

We have developed a range of schemes to widen our recruitment pool and improve diversity:

A 'Twilight team' in our Operations department that work three evenings a week. The team are primarily made up of students and parents and have been a key contributer to improving efficiency.

In December we partnered with a recruitment company to run a 'Returnship' programme offering roles for people looking to return to work after a career break. This has been a great success with many securing permanent positions.

We offer two types of Apprenticeship:

New Specialist Apprenticeship (NSA) is an opportunity for someone who wants to move into a particular profession, but doesn't have the previous experience or qualifications to move into that specialism. This is often someone that has just completed school or college. However, this is an inclusive opportunity and we will consider applicants of any age.

Career Development Apprenticeship (CDA) which is an apprenticeship for colleagues who are already working at HL in a specialist role and would benefit from developing their skills through completing a recognised qualification. In the year to 30 June 2018 there were five people on the apprenticeship scheme and we plan to extend this programme to 12 for the summer 2018 intake.

We offer Internships of 6 – 12 weeks paid work experience which attract students on their summer break. HL first piloted the scheme in 2016 and interns complete various administrative tasks and mini project work. Our aim is to implement a structured scheme where students can gain valuable experience and provide short-term resource for the business. We hope that the interns will return to HL on other youth training schemes, for example the Apprenticeship Scheme or Industrial Placement Scheme. There were eight interns in the year to 30 June 2018.

Our university placement programme is designed to give 12 students a preview of working life over a 12 month period and gain hands on experience of our working and social life. Doing everything in-house plays to their advantage, as we offer placements in a variety of business areas as well as plenty of additional projects in which to get involved. As part of the programme, placement students work on a live client-focused project which is presented back to our CEO.

Our graduate training scheme looks to develop future leaders on our bespoke two-year programme with rotations across key departments including Operations, Digital Marketing, Finance and Investment departments, before choosing a specialisation. Graduates are mentored by senior managers and directors, and at the end of the programme find a role at HL that matches their personal skills and ambitions. This year we had five graduates on the scheme and we expect the same number next year.

Employee well-being

Our people are central to delivering our vison and strategy and ensuring their well-being is of key importance to us. In addition to our excellent rewards package, we believe a wider curriculum of activities and support helps to make HL an enjoyable place to work and one which is attractive to a diverse community. Sport is an important part of daily life and a way of engaging and evolving different community groups. HL has various colleague sports teams, and runs mixed sports and social events on a regular basis. Many colleagues also do a variety of sporting activities to raise money for our HL Foundation.

Other initiatives include Personal Development, Healthy Living and Healthy Mind weeks where a range of workshops and classes are run to raise awareness and promote a healthy working environment for employees.

As part of our employee wellbeing programme, over the last year we have increased the numbers of qualified first aiders to 90, each having successfully completed a three-day course. We have also introduced our first mental health first aiders and will expand this number in the next year.

Learning and development

Learning and development is a key component of our People Strategy. The Hargreaves Lansdown Learning Academy is used to house our new starter induction programme, career development programmes, manager training and team building events.

CORPORATE SOCIAL RESPONSIBILITY CONTINUED

Career Development Path

We support our colleagues in their continuing personal and professional learning and development by encouraging attendance at external and internal programmes. This year we introduced our new Career Development Path for all colleagues, and an internal careers fair to promote wide-ranging opportunities for personal growth and career development in our business.

Talent management programme

We recognise the importance of building a pipeline of skilled and motivated talent for future leadership roles. Over the last year, working alongside an external provider, we have developed a robust talent framework to ensure we deliver this pipeline and that we retain those in business critical roles.

Employee engagement

It is widely recognised that an organisation whose employees are engaged with its purpose and culture will perform better than others, and create value for clients and shareholders. This is because engaged employees feel a strong connection with their employer and believe their work is important. It is crucial therefore that we communicate with our people ensuring they understand our purpose, vision and priorities and how they each play their part in the development of our business. We do this via a coordinated internal communications programme which includes six-monthly presentations by the CEO, senior management insight talks, monthly CEO updates and production of the HL Times to all colleagues. Celebrating success and our achievements, such as the milestone of our one millionth client during the year, also serve as a great means of engagement.

We believe it is important to listen and understand our colleagues' views and motivation; their honest feedback is crucial in evolving our colleague engagement programme. Our most recent annual colleague engagement survey received a strong response rate of 80% and our overall engagement score increased to 62% from 52%, reflecting the work that has been done over the past year to improve employee communication and the working environment.

During the year we held our first "Innovation Day" to encourage entrepreneurial thinking and reinforce our value of "doing it better". This resulted in 71 ideas submitted from 45 people and a further 80 people offering to work on developing the ideas.

Diversity and inclusion

We believe in building a culture and environment that attracts, values and retains people from all backgrounds, life experiences, preferences and beliefs – ensuring they are recognised and respected as individuals and valued for the different perspectives they bring. As our business grows, our needs and challenges become more diverse and therefore so too must our workforce and we support the government's work in this area.

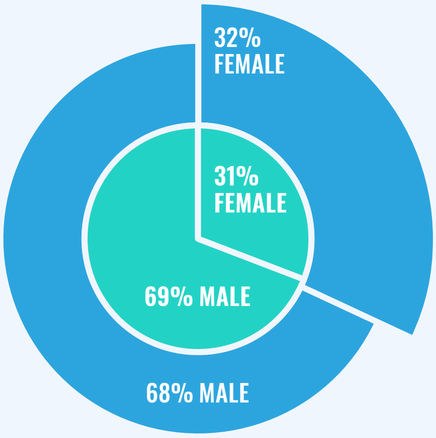
Diversity is a broad issue encompassing variations in experience, skills, age and background, as well as more traditional diversity factors such as ethnic origin, disability, religious beliefs, sexual orientation and gender. Commercially, and for best practice reasons, we are an equal opportunities employer and believe that to succeed as a business we need to make the most of the potential of our people whoever they are. We have human resource policies in place to attract a diverse workforce and our people can expect to develop in an environment that is free from discrimination or harassment. Chris Worle, an Executive Committee member, is responsible for our diversity and inclusion programme, which ensures we have the appropriate level of focus in this area to back up our commitment with meaningful action and positive change.

More details can be found at www.hl.co.uk/about-us/diversity

We give full consideration to applications for employment from disabled persons. If members of staff become disabled the Group continues employment, either in the same or an alternative position if necessary, with appropriate retraining being given if necessary. A full assessment of any disabled employee's needs is undertaken and reasonable adjustments are made to the work environment or practices in order to assist them.

2018 TOTAL WORKFORCE FTE = 1,499

2017 TOTAL WORKFORCE FTE = 1,185



As at 30 June 2018

	Board directors	Other senior management[1]	**Total employees (FTE)**
Female	4 (50%)	8 (20%)	**484 (32%)**
Male	4 (50%)	33 (80%)	**1,015 (68%)**

1 Other senior management is defined as an employee who has responsibility for planning, direction or controlling the activities of the Group, or a strategically significant part of the Group, other than the Board directors.

Gender Pay Gap

In early 2018 we published our first gender pay gap report. At the time Chris Hill commented "diversity, inclusion and giving an equal opportunity to everyone who wishes to progress their career are all extremely important to me. A diverse and balanced workforce is good for our clients, it's good for building a team with colleagues and it is also important for investors."

Although our gender pay gap is not yet where we want it to be we have an action plan to increase the proportion of women in senior roles. We expect the gender pay gap to reduce over time and we are committed to making improvements and to supporting all colleagues who wish to progress their careers regardless of gender or background. Progress to date includes:

- A clear commitment from the Board and senior leadership to fairness, equality, diversity and inclusion
- HL plc Board has a female Chair and equal male and female representation
- The Chair and Chief Executive are members of the 30% Club and HL has signed the Women in Finance Charter, both committing to increase the number of women in senior positions
- Top 25 in FTSE 100 ranking of Women on Boards and in Leadership - Hampton-Alexander Review
- Greater support for women who take career breaks, through improved maternity and returner programmes and flexible working

Full details of our Gender Pay Gap report can be found at www.hl.co.uk/about-us/gender-pay-gap

Human rights

Hargreaves Lansdown has a zero tolerance approach to slavery and human trafficking of any kind within our business operations and supply chains. We are committed to acting ethically and with integrity in all our business dealings and relationships and to implementing and enforcing effective systems and controls to ensure slavery is not taking place anywhere in our business or in any of our supply chains.

We recognise this is a serious global issue and are committed to improving our practices and playing our part in combatting slavery and human trafficking. As a financial services business based in the UK, we predominantly use UK suppliers. Whilst this reduces many of the risks global businesses are exposed to, we take our responsibility towards the prevention of slavery and human trafficking very seriously and we are fully compliant with our obligations under the Modern Slavery Act 2015.

One of our core values is to do the right thing, which includes treating people fairly whether they are our clients, colleagues, contractors or people working in our supply chain. We all have a responsibility to be alert to the risks of modern slavery, however small. Since our first Modern Slavery Statement in December 2016, we have taken, and are taking, further steps to ensure we have the right training and controls in place to combat slavery and human trafficking, and in our statement we explain how we are doing this, please visit our website – www.hl.co.uk/__data/assets/pdf_file/0009/11399832/Modern-Slavery-Act.pdf

Anti-bribery and corruption

Hargreaves Lansdown maintains a full suite of policies and procedures to guard against bribery and corruption. This includes: an Anti-Bribery Policy, outlining the offences, responsibilities of all staff members and clear reporting procedures; a Whistleblowing policy and process; Fraud, Anti-money laundering and Market Abuse policies and procedures; procedures for dealing with making and accepting gifts and hospitality; on-line guidance and a suite of bespoke training programmes for raising staff awareness. Employees can access policy and guidance statements via the Group intranet and these procedures are reviewed and updated on a periodic basis by the Senior Managers responsible for them.

COMMUNITY

HL Foundation – Investing in a better future

On 1 September 2016, the Group launched the Hargreaves Lansdown Charitable Foundation, a charitable arm of Hargreaves Lansdown. The Foundation's mission is to utilise the skills and time of our workforce and partners to make a positive, sustainable difference in the world around us. It focuses on four pillars: the next generation, health and well-being, improving lives and local communities. Every three years it will select charities corresponding to these pillars which it will support through a range of fundraising events. The charities are nominated and selected by employees and the first five are as below:

The foundation aims to provide a centralised focus for fundraising efforts, improve support and increase the money raised for charitable causes and improve links with our local communities and national charitable groups. All of the legal and administration costs are met by the Group so 100% of the money raised goes to the employee nominated charities. The day-to-day running of the Foundation is by Hargreaves Lansdown volunteers. More details can be found on the website **www.hl.co.uk/about-us/hl-foundation**

In the first full year over £75,000 was raised by colleagues for the selected charities with fund raising ranging from the ever-popular payday lottery, to bike rides, cake and other food sales, and sports tournaments. In its second year we will exceed this target and Foundation activities have included trekking to Everest base camp, running the London Marathon and the Race for Life.

Bristol and the local community

Hargreaves Lansdown is a true Bristol success story being one of only two FTSE 100 companies based in the city and one of the largest employers in the region. Proud of our Bristol heritage, we support local projects and plans which aim to improve the lives of the people who live and work in the city. During the year we were sponsoring partners of Bristol Pride and a sculpture sponsor of the Grand Appeal Arts Trail in aid of the Bristol Children's Hospital. A group of managers from across the business have been mentoring a group of students at a local Bristol School and we have been furthering plans to develop closer links with Bristol colleges and universities.

We have joined the Bristol Equality Charter working group. Aimed at both individuals and organisations, the charter is a pledge by the signatories to take actions relevant to them, to improve equality and diversity across the city. The charter will launch on 12 November 2018.

> "How we make an impact on our community through fundraising, volunteering, mentoring and supporting other community initiatives.

Next generation The Prince's Trust Youth Adventure Trust	Prince's Trust; Youth Adventure Trust – Inspiring young lives
Well-being Cancer Research UK	CANCER RESEARCH UK
Improving lives Guide Dogs for the Blind	GUIDE DOGS
Communities Great Western Air Ambulance	Great Western Air Ambulance

We have also been active participants, through our involvement with the Bristol City Office, in the ongoing development of the Bristol One City Plan, an initiative to develop a shared vision for Bristol which brings together participants from business, public sector, voluntary organisations and local communities to help identify and address key challenges facing the city.

Tax strategy

Integrity and good conduct are central to our culture and this means we aim to comply with both the spirit and the letter of the law and are committed to conducting our tax affairs in a clear, fair and transparent way.

Taxes provide public revenues for government to meet economic and social objectives. Paying and collecting taxes is an important part of our role as a business, responsibly operating within and contributing to society.

We aim to comply with all our tax filing, tax reporting and tax payment obligations. We seek to maintain an open, honest and positive working relationship with tax authorities and we do not undertake aggressive tax planning. Our corporation tax and employer's national insurance paid in respect of the year ended 30 June 2018 was £64.0 million (2017: £51.1 million). In addition, we pay other taxes such as VAT, stamp duty and business rates.

ENVIRONMENT

We take our responsibilities toward the environment seriously and continue to promote energy efficiency and the avoidance of waste throughout our operations. Our new colleague environment group looks at ways in which we can minimise our environmental impact and planned initiatives include Green event to focus on how colleagues and the business can make a difference.

Our business is fundamentally based on intellectual capital and conducts the majority of client transactions online and undertakes no industrial activities. Therefore we do not have the environmental impact of many businesses of a similar size.

Running and maintaining our IT infrastructure at our head office and data centres comprises the main source of our environmental impact. This supports our award winning platform which is fundamental to the success of our business. Our programme of cyclical replacement of hardware and software aims to reduce energy usage and cost.

HL Tech, our new Warsaw technology hub, operates in a similar way, in a brand new, environmentally friendly building, where the impact is also low.

> "How we minimise our impact on the environment.

Environmental initiatives

Our objective of reducing waste and minimising the environmental impact of our business is aligned with our objectives of protecting client data, reducing costs and improving efficiency. It is our aim to deal with clients and other businesses electronically wherever possible, not only to speed up information transfer, but also to reduce the amount of paper we use. We have invested heavily in providing a user-friendly, comprehensive website, a mobile app and automated links to banks and fund providers. The benefits will grow as more people and businesses choose to transact business and receive information online. We aim to increase the take-up of online and paperless services, and have been successful in doing this during the year. Other initiatives have included a move to using 100% of our energy from renewable sources and switching to oxy-degradable polythene envelopes for our Investment Times magazine.

	30 June 2018	30 June 2017	Change
Vantage clients registered as paperless	78%	76%	+2%
Vantage client equity deals placed online	98%	98%	0%
Clients registered to use our online services	90%	89%	+1%

CORPORATE SOCIAL RESPONSIBILITY CONTINUED

Business travel and commuting

We do not provide company cars to managers or to our network of advisers. Advisers are spread throughout the UK which minimises travel time and carbon emissions. We provide a telephone advice service where a face-to-face meeting is not required. The popular cycle to work scheme which offers our employees an incentive to travel to and from work in an environmentally friendly way, is now in its second year.

This year we improved the secure bike park at our office enabling up to 198 staff to cycle to work. More employees are now able to work from home using laptops, which, as well as consuming less power than desktop computers, reduces the need for work related travel.

Recycling

We continue to shred and recycle confidential waste and have arrangements for the collection of recyclable waste such as printer toner cartridges, cardboard, plastics, newspapers and out-of-date literature. During the year we changed our waste management company which reports on our levels of recycling and will help manage our environmental impact. Redundant IT equipment is disposed of in two ways: serviceable monitors are gifted to the HL Foundation which in turn sells them to staff, and the remainder through specialist third parties.

Greenhouse gas emissions

Since 1 October 2013, the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 has required all UK quoted companies to report on their greenhouse gas emissions as part of their annual Directors' Report.

We have reported on all of the emission sources required under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 except our Warsaw office which has been excluded on the basis that it is a new site and it has not been possible to obtain a full year's worth of data. This will be reported in next year's report. We do not have responsibility for any emission sources that are not included in our consolidated statement. Our emissions are calculated in line with the Greenhouse Gas Protocol using the 2017 emission factors provided by DEFRA.

The Group's Scope 1 and 2 emissions for the year to 30 June 2018 are set out in the table below. Scope 1 emissions relate to the Group's fugitive emissions from the combustion of fuel and operating activities and Scope 2 emissions relate to the Group's electricity usage.

In order to provide an intensity ratio for our emissions disclosure, we have calculated our greenhouse emissions per employee. The Directors believe that the number of employees is the best indicator for a Group of this size and nature for the purposes of this disclosure. The number of employees used is the average number of full-time equivalent employees over the measurement period. For the year ending 30 June 2018 our emissions per employee decreased by 1%

Global GHG emissions data
for period 1 July 2016 to 30 June 2018 (unaudited)

	Tonnes of CO_2e		
Emissions from:	**Current reporting year 2017-2018**	**Comparison year 2016-2017**	**Change**
Scope 1 - Combustion of fuel and operation of facilities	**1,285.0**	217.3	+491%
Scope 2 – Purchased energy for own use	**1,036.9**	1,546.0	-33%
Tonnes of CO_2e per average full-time equivalent employee	**1.66**	1.68	-1%

FTSE4Good

Hargreaves Lansdown has continued to be included in the FTSE4Good Index series, having been independently assessed according to the FTSE4Good criteria. The FTSE4Good index measures the performance of companies that meet globally recognised standards on corporate social responsibility. To be included, companies must support human rights, have good relationships with various stakeholders, be making progress to become environmentally sustainable, ensure good labour standards (not only for their own company but for companies that supply them) and seek to address bribery and corruption.

FTSE4Good

02 GOVERNANCE

CHAIR'S INTRODUCTION

"

Good corporate governance provides a sound framework through which we can successfully deliver our strategy and return value to our stakeholders.

Dear Shareholder

In my first year as Chair I am pleased to present our corporate governance report for this financial year in what has been a busy time for the Group particularly in relation to the development of the Board and its senior management team. I was appointed Chair on 7 February 2018 following the decision by Mike Evans to step down from the Board. First and foremost I would like to give my sincere thanks to Mike on behalf of the Board for his contribution to the development and growth of the business over the last nine years and to wish him well for the future. Christopher Barling also stepped down from the Board on 7 February 2018 having served nine years as a Board member and I would like to thank him and wish him well for the future too. Shirley Garrood took his place as Senior Independent Director.

The Board is responsible to shareholders for strategic direction, oversight of management, and control of the Group's activities. I firmly believe, along with the Board, that high standards of governance and effective Board oversight supported by a strong culture are vital to the successful delivery of our strategy and are key to underpinning our continued ability to deliver sustainable growth for our shareholders, clients and our people. We are committed to adhering to the principles of the 2016 UK Corporate Governance Code ("the Code") .The Board considers that appropriate governance standards were in place throughout the financial year and will continue to ensure that these standards are maintained and enhanced over the coming year.

In addition to my appointment to the Board, we have also welcomed two new Non-Executive Directors, Fiona Clutterbuck and Roger Perkin who joined the Board on 1 September 2017 bringing with them a wealth of financial services experience. Biographical details of the Board and the current governance and leadership structure are set out in the following pages.

The Board has spent considerable time in the last year formulating its future strategy, operating plans, enhancing its Risk Management Framework, its Corporate Governance arrangements, its people and its culture. In addition it has been dealing with challenges facing the business such as changes in regulation, technology and the competitive landscape.

The Board has undertaken an externally facilitated Board evaluation and effectiveness review. The review covered a number of topics. The Board will be reviewing and implementing any actions required from the evaluation in due course over the coming year.

The Board has continued to apply good governance practices and supports the principles of the UK Corporate Governance Code (the Code). The Code sets out the standards of good practice in relation to how a company should be directed and governed. The Code is published by the FRC and further information can be found on its website at **frc.org.uk**.

Having reviewed the provisions of the Code, the Board is satisfied that the Company has fully complied with them throughout the year ended 30 June 2018. More information is contained within the Corporate Governance and Remuneration Committee reports.

The Board has also continued to foster good relations with its new and existing shareholders. We look forward to welcoming shareholders to our Annual General Meeting on 10 October 2018.

Deanna Oppenheimer
Chair

6 August 2018

THE BOARD OF DIRECTORS

CHAIR

Deanna Oppenheimer
Chair and Non-Executive Director

Appointed to the Board
February 2018

Skills and experience
Deanna currently has roles as the Senior Independent Director and Chair of Remuneration Committee of Tesco plc and Non-Executive Director and Chair of the Remuneration Committee of Whitbread plc.

Deanna has extensive board level governance and leadership experience in both public and private financial services business having worked in the industry for 35 years at Executive and Non-Executive level. Her rich executive experience includes, amongst other things, the transformation of the retail banking division at Barclays. Deanna is founder of CameoWorks, a consumer focused boutique advisory firm which works with fintech businesses and other technology disrupters. Deanna is a member of the 30% Club.

Committee membership
Nomination Committee (Chair)
Remuneration Committee

Other current appointments
Senior Independent Non-Executive Director and Chair of the Remuneration Committee of Tesco plc

Non-Executive Director and Chair of the Remuneration Committee of Whitbread plc.

EXECUTIVE DIRECTORS

Chris Hill
Chief Executive Officer

Appointed to the Board
April 2017 (Chief Financial Officer (CFO) from February 2016 to September 2016 and Deputy Chief Executive Officer (CEO) from October 2016 to April 2017)

Skills and experience
Chris has considerable strategic, leadership and operational skills and experience from a number of business sectors. He has extensive finance and accounting experience having joined the Group initially as CFO and then moving in quick succession to the position of CEO where he is also responsible for driving forward the cultural and risk management aspects of the business. Prior to joining Hargreaves Lansdown he was CFO at IG Group Holdings plc and prior to that CFO at Travelex. Chris qualified as a chartered accountant at Arthur Andersen and is an associate member of the Association of Corporate Treasurers. He is a member of the 30% Club.

Committee membership
None

Other current appointments
None.

Philip Johnson
Chief Financial Officer

Appointed to the Board
April 2017

Skills and experience
Philip is an experienced financial services CFO. He has a wealth of experience in capital management, risk and controls and has a good track record in strategic operational execution. Philip was previously CFO of Jupiter Fund Management plc for seven years and prior to that Group Finance Director of M&G Limited for over five years. Philip qualified as a chartered accountant with Coopers & Lybrand.

Committee membership
Investment Committee

Other current appointments
None.

THE BOARD OF DIRECTORS CONTINUED

NON-EXECUTIVE DIRECTORS

Shirley Garrood
Senior Independent Non-Executive Director

Appointed to the Board
October 2013

Skills and experience
Shirley has extensive and relevant Executive and Non-Executive financial services experience. A chartered accountant, she served as Chief Financial Officer and Chief Operating Officer at Henderson Group plc and as an Executive Director at Morley Fund Management (Aviva). She also has broad experience as a Non-Executive Director, chairing committees of a listed company and a G15 housing association.

Committee membership
Risk Committee (Chair)
Nomination Committee
Remuneration Committee

Other current appointments
Deputy Chairman and Senior Independent Non-Executive Director of esure Group plc.

Fiona Clutterbuck
Independent Non-Executive Director

Appointed to the Board
September 2017

Skills and experience
Fiona is a qualified barrister with extensive corporate finance experience. During her career, Fiona has held the positions of Head of Strategy and Corporate Development at Phoenix Group, Managing Director and Head of Financial Institutions Advisory at ABN AMRO Investment Bank, Managing Director and Global Co-Head of Financial Institutions Group at HSBC Investment Bank and was a Director at Hill Samuel Bank Limited. She was also a Non-Executive Director at W.S.Atkins until its acquisition in July 2017.

Committee membership
Remuneration Committee (Chair)
Audit Committee
Nomination Committee
Risk Committee

Other current appointments
Chairman of Paragon Banking Group.

Roger Perkin
Independent Non-Executive Director

Appointed to the Board
September 2017

Skills and experience
Roger is a qualified accountant with extensive financial services experience. He is a former partner of Ernst & Young, and has previously been a Non-Executive Director at Evolution Group plc, Friends Life Ltd and Nationwide Building Society. Roger has served on a number of different Board Committees, including chairing the Audit Committee at Evolution Group plc and Nationwide Building Society, where he also served as the Senior Independent Director.

Committee membership
Audit Committee (Chair)
Nomination Committee
Risk Committee

Other current appointments
Non-Executive Director and Chairman of the Audit Committee at TP ICAP plc, Electra Private Equity plc and AIB Group (UK) plc.

Trustee of three charities, Chiddingstone Castle, The Conservation Volunteers and the Charities Aid Foundation.

Jayne Styles
Independent
Non-Executive
Director

Appointed to the Board
October 2015

Skills and experience
Jayne brings a wealth of relevant financial services knowledge, including current executive strategic, governance and operational experience as Chief Investment Officer at MS Amlin, where she is responsible for running their £6 billion plus global multi-asset, multi-manager portfolios. Jayne has an Executive MBA from Cranfield School of Management and holds a number of professional qualifications, including Associate of the CFA Society of the UK and Fellow of the Chartered Banking Institute.

Committee membership
Investment Committee (Chair)
Audit Committee
Nomination Committee
Risk Committee

Other current appointments
Chief Investment Officer MS Amlin plc
Chief Executive Officer MS Amlin Investment Management Committee, Member of the Corporation of Lloyd's Investment Committee.

Stephen Robertson
Independent
Non-Executive
Director

Appointed to the Board
October 2011

Skills and experience
Stephen has broad marketing and digital skills and experience derived from a career in the retail sector, serving 15 years on the boards of major UK retailers and then as Director General of the British Retail Consortium. Stephen has a keen interest in the client experience and has well-honed people skills.

Committee membership
Audit Committee
Investment Committee
Nomination Committee
Remuneration Committee
Risk Committee

Other current appointments
Non-Executive Director of Timpson Group plc
Non-Executive Director of Clipper Logistics plc
Non-Executive Director of Footasylum plc.

Governance and leadership

The Board
The primary role of the Board is to provide leadership to the Group, to set the Group's long term strategic objectives and to develop robust corporate governance and risk management practices. The Board delegates specific powers to some committees, details of which are set out below.

BOARD COMMITTEES

Audit Committee
Oversees financial reporting

Monitors internal control

Monitors internal and external auditors

Risk Committee
Reviews the design and implementation of risk management framework

Oversees and advises the Board on the current risk exposures of the Group and future risk strategy

Oversees the delivery of the Group's end to end ICAAP process

Investment Committee
Challenge and oversight for the investment business

Risk and compliance for the Investment business

Remuneration Committee
Approves and monitors the level and structure of remuneration for the executives

Approves annual performance objectives for executives

Nomination Committee
Recommends Board appointments

Plans for executive succession

Board evaluation

The Executive Committee
Led by the Chief Executive, the Executive Committee is responsible for developing the business and delivering against a Board approved strategy, putting in place effective monitoring, control mechanisms and setting out a framework for reporting to the Board.

Chief Executive
Responsible for managing the business of the Group in accordance with the strategy approved by the Board.

EXECUTIVE SUB-COMMITTEES

CASS Committee
Responsible for overseeing our processes and controls over segregating client monies and safeguarding custody assets

Treasury Committee
Defines and oversees the management of client's and the Group's own cash balances within the regulatory framework and Group's risk appetite

Executive Risk Committee
Implement the Risk Management Framework; and oversee conduct of business issues including fair outcomes for clients

Oversee regulatory reporting and capital requirements and the Financial Crime and Anti-Money Laundering (AML) regime

Define detailed risk appetite statement and limits and recommends to Board Risk Committee material risk appetite limits and statements

Leadership

The Board considers that its primary role is to provide leadership and challenge to the Group, to approve the Group's long-term strategic objectives and to develop robust corporate governance and risk management practices.

The Board has the ultimate responsibility for ensuring that the Group is managed effectively and in the best interests of the shareholders, clients, employees and other stakeholders such as regulators. The Board operates within a formal schedule of matters reserved to it. This schedule is reviewed and updated on a regular basis. The Board meets regularly and provides direction, oversight and detailed review and challenge of the Group's business.

A summary of matters reserved for the Board are set out below:

- Strategy and management;
- Financial reporting and controls;
- Structure and capital;
- Approval of the dividend;
- Oversight of regulatory compliance and internal control;
- ICAAP;
- Corporate governance;
- Remuneration;
- Approval of communications to shareholders;
- Board membership and other appointments;
- Delegation of authorities; and
- Policies.

The Board delegates specific powers for some matters to committees, details of which are set out below. The outputs from each committee meeting are reported to the Board, thus ensuring the Board maintains the necessary oversight. More detail on the committees and their work is described in the section headed "Board and Executive Committees" below.

Board and Executive Committees

The Board has five Committees that it delegates specific powers to: Audit, Risk, Nomination, Remuneration and Investment. The written terms of reference of the committees, including their objectives and the authority delegated to them by the Board, are available upon request from the Company Secretary or via the Group's website at www.hl.co.uk. All committees have access to independent expert advice and the services of the Company Secretary. The chair of each committee reports to the Board. The constitution and terms of reference of each committee are reviewed annually to ensure that the committees are operating effectively and any changes considered necessary are recommended to the Board for approval.

The Board delegates daily management responsibility for the Group to the Chief Executive Officer. The Chief Executive Officer has established an Executive Committee which meets monthly. The Executive Committee, reporting to the Chief Executive Officer, is responsible for developing the business and delivering against a strategy approved by the Board and for ensuring effective management of day-to-day operations, risk and internal control mechanisms.

The Executive Committee has established three reporting committees to assist it with managing the Group's business. The Executive Risk Committee seeks to ensure risks are identified, assessed, managed and reported effectively. It is also responsible for overseeing compliance with the regulatory capital requirements under the Internal Capital Adequacy Assessment Process (ICAAP) regime. The CASS Committee is responsible for overseeing our processes and controls over segregating client monies and safeguarding custody assets. The Treasury Committee's role is to define and oversee the management of client and the Group's own cash balances within the regulatory framework and Group's risk appetite.

Each of these committees operates under defined terms of reference with clear responsibilities. A table showing the governance structure is set out under the leadership section of this report.

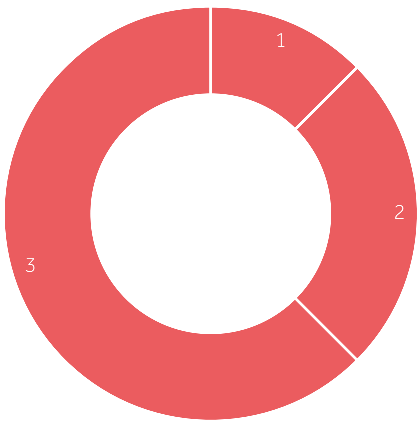
Group entity governance

The Group has five FCA regulated subsidiaries: Hargreaves Lansdown Advisory Services Limited, Hargreaves Lansdown Fund Managers Limited, Hargreaves Lansdown Asset Management Limited, Hargreaves Lansdown Stockbrokers Limited and Hargreaves Lansdown Savings Limited. These carry out the Group's financial services business providing regulated products and services. The Executive Directors and a number of senior executives from the senior management team serve as directors on these Boards.

Board composition

There is an appropriate combination of Executive Directors and Non-Executive Directors on the Board such that no individual or small group of individuals can dominate Board decision-making. As at 30 June 2018, there were eight members of the Board, the Non-Executive Chair, Chief Executive Officer, Chief Financial Officer and five Non-Executive Directors.

Composition of the Executive and Non-Executive Directors on the Board



1.	Chair	1
2.	Executive Directors	2
3.	Independent Non-Executive Directors	5

GOVERNANCE

Board changes

There have been a number of changes to the composition of the Board during the year as set out below:

- On 1 September 2017, Fiona Clutterbuck and Roger Perkin were appointed as Non-Executive Directors.
- On 7 February 2018, Christopher Barling resigned as a Non-Executive Director and Senior Independent Director. Shirley Garrood succeeded Christopher as Senior Independent Director.
- On 7 February 2018, Mike Evans resigned as Chairman and Non-Executive Director and Deanna Oppenheimer was appointed as Chair and Non-Executive Director.

Appointments to the Board are the responsibility of the full Board, on the recommendation of the Nomination Committee. On joining the Board, Non-Executive Directors receive a formal appointment letter, which sets out the time commitments expected of them. Directors' Service agreements and Non-Executive Director appointments letters are available for inspection during business hours at the Group's registered office.

Board experience

The composition, skills and effectiveness of the Board are reviewed annually. The Non-Executive Directors have strong and relevant experience across all aspects of financial services. The Board ensures a diverse pool of candidates is considered for any vacancy which arises and any appointments are made based on merit, having regard to the skills, competencies and experience of the candidate. All Directors are required to disclose to the Board any outside interests which may pose a conflict with their duty to act in the best interests of the Company. The Board is required to approve any actual or potential conflicts of interest and they are recorded in a central register. Directors are also required, on an annual basis, to confirm that they are not aware of any circumstances which may affect their fitness and propriety and therefore their ability to continue to serve on the Board.

Sector experience

Experience	Number of Directors (Executive and Non-Executive) and Chair
Company knowledge	8
Industry knowledge	8
Audit and Risk management	8
Investment management	7
Strategy and business development	6
Operational management	5
Technology and digital focus	6

Meetings, attendance and information provided to the Board

The Board holds meetings at regular intervals, at which the Group's financial and business performance is reviewed, along with risk, compliance, IT, human resources, culture and strategic matters. There is a comprehensive Board pack and agenda which is circulated beforehand giving Directors the opportunity to consider the issues to be discussed, and detailed minutes and any actions are documented. The regular meetings are scheduled up to a year in advance, and if any Director is unable to attend then they may provide comments on the papers to the Chair before the meeting. Meetings are structured so that appropriate time is devoted to all agenda items. In addition to these regular, scheduled meetings, 'ad hoc' Board meetings may be held outside the published cycle where circumstances require – for example, to approve appointments to the Board, any material transactions, the signing of the financial report and accounts or the approval of regulatory submissions. Meeting attendance throughout the year is set out opposite:

Board attendance

Director	Position	Eligible meetings	Attended meetings
Deanna Oppenheimer[1]	Chair	2	2
Mike Evans[2]	Chair	4	4
Chris Hill	Executive Director	6	6
Philip Johnson	Executive Director	6	6
Christopher Barling[3]	Non-Executive Director	4	4
Fiona Clutterbuck[4]	Non-Executive Director	5	5
Shirley Garrood	Non-Executive Director	6	6
Roger Perkin[4]	Non-Executive Director	5	5
Stephen Robertson	Non-Executive Director	6	6
Jayne Styles	Non-Executive Director	6	6

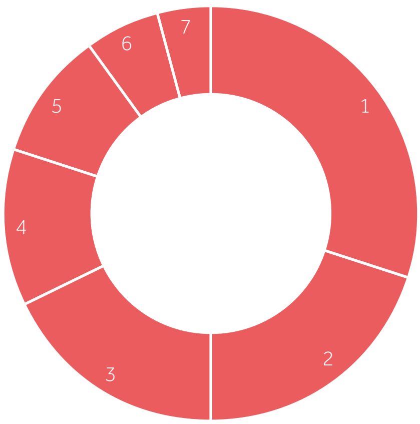
1 Appointed as Chair on 7 February 2018
2 Resigned as Chair on 7 February 2018
3 Resigned on 7 February 2018
4 Appointed on 1 September 2017

Board allocation of time

During the year the Board has devoted significant time to considering:

- Business and financial performance including a three year operating plan;
- Strategy;
- Risk management framework and corporate governance;
- Capital and liquidity adequacy;
- Regulatory developments in particular the Senior Mangers Regime;
- Corporate development Opportunities;
- Information Security;
- The control environment; and
- Projects and IT investment.

% of time spent on the above activities during the financial year



1.	Committee updates	30%
2.	CEO report and business update	20%
3.	Finance and operations	18%
4.	Risk, compliance and regulatory	12%
5.	Strategy	10%
6.	Brand values and culture	6%
7.	Board effectiveness	4%

Roles and responsibilities

Chair and Chief Executive Officer

The roles of the Chair and the Chief Executive Officer are separate, clearly defined in writing and have been agreed by the Board.

The role of the Chair

The Chair, Deanna Oppenheimer, is responsible for leadership of the Board, ensuring its effectiveness in all aspects of its role as well as being responsible for its governance. She sets the tone for the Group and ensures that the links between the Board and management and shareholders are strong. She sets the Board agenda and ensures that sufficient time is allocated to important matters.

The key responsibilities of the Chair are:

- Chair the Board and the Nomination Committee;
- Leadership of the Board, ensuring its effectiveness on all aspects of its role and setting its agenda;
- Ensure that the directors receive accurate, timely and clear information;
- Ensure effective communication with shareholders and other stakeholders;
- Facilitate the effective contribution of non-executive directors and ensuring constructive relations between executive and non-executive directors; and
- Act on the results of the Board performance evaluation by recognising the strengths and addressing the weaknesses of the Board and, where appropriate, proposing new members be appointed to the Board or seeking the resignation of Directors.

The role of the Chief Executive Officer

The Chief Executive Officer, Chris Hill, is the Executive responsible for the day-to-day running of the business and is accountable to the Board for its operational and financial performance. The key responsibilities of the Chief Executive are:

- Lead the senior management team in the day to day running of the Group's business in accordance with Board approved strategic objectives;
- Chair the Executive Committee and communicating its decisions and recommendations to the Board;
- To review the operational performance and strategic direction of the Group's business;
- To ensure that appropriate systems of internal controls and risk management are in place and operating in accordance with the Group's risk profile as approved by the Board; and
- Together with the Chair, provide coherent leadership of the Group.

Senior Independent Director

The Senior Independent Director, Shirley Garrood, provides a sounding board for the Chair and serves as an intermediary for the other Directors when necessary. She is available to shareholders if they have concerns, when the normal channels of Chair, Chief Executive Officer or other Executive Directors have failed to resolve, or for which such contact is inappropriate.

CORPORATE GOVERNANCE REPORT CONTINUED

The key responsibilities of the Senior Independent Director are:

- Chair the Nomination Committee when considering the succession of the Chair of the Board;
- Meet with other Non-Executive Directors to appraise the Chair's performance; and
- Provide feedback to the Board on the Independent Non-Executive Directors' views.

Non-Executive Directors

The Non-Executive Directors are independent of management and are considered by the Board to be free from any business or other relationships which could compromise their independence. Their role is to advise and challenge management, along with monitoring their success in delivering the agreed strategy within the risk appetite and control framework set by the Board. They are also responsible for determining appropriate levels of remuneration for the Executive Directors.

Company Secretary

All Directors have access to the services of the Company Secretary in relation to the discharge of their duties. The Company Secretary is responsible for working with the Chair to develop Board and Committee agendas and to ensure that all Board procedures are complied with. She also advises the Board on corporate governance matters and applicable rules and relevant regulatory matters. In addition she supports the Chair in the design and delivery of the Non-Executive Director induction programme.

The Company Secretary is also the secretary for all the Board committees. The removal and appointment of the Company Secretary is a matter reserved for Board approval. The Board also obtains advice from professional advisers as and when required.

Board balance, independence and time commitment

The Board comprises individuals with wide business skills and experience and considers that the balance of skills and experience is appropriate to the requirements of the business. The Board considers that the balance between Executive and Non-Executive Directors allows it to exercise objectivity in decision making and proper control of the Company's business. Each member of the Board has had access to all information relating to the Group, the advice and services of the Company Secretary (who is responsible for ensuring that Board procedures are followed) and, as required, external advice at the expense of the Group.

The Board has reviewed its structure, size and composition (together with an evaluation of the Board's balance of skills, knowledge and experience); the membership of the various Board committees and the expected time commitment; and the policy for appointments for Executive and Non-Executive Directors throughout the year.

The Directors' aim is to ensure that the balance between Non-Executive Directors and Executive Directors of the Board reflects the changing needs of the Group's business.

On her appointment as Chair, Deanna Oppenheimer, satisfied the independence criteria as set out in the Code.

The Board has reviewed the independence of each of the Non-Executive Directors that have served on the Board during the financial year and concluded that Fiona Clutterbuck, Shirley Garrood, Roger Perkin, Jayne Styles and Stephen Robertson are independent. In addition they concluded that Christopher Barling was independent until he stepped down from the Board on 7 February 2018. As such, together with the two Executive Directors, Chris Hill and Philip Johnson, the Board, during the financial year, has satisfied the Code requirements that at least half the Board, excluding the Chair, should comprise Non-Executive Directors determined by the Board to be independent. The Non-Executive Directors are considered to be of sufficient calibre and experience to bring significant influence to bear on the decision making process.

The terms of appointment of the Non-Executive Directors specify the amount of time they are expected to devote to the Company's business. They are currently required to commit to 25 days per annum which is calculated based on the time required to prepare for and attend Board and Committee meetings, meetings with shareholders and training.

Conflicts of interest

All Directors have a duty to avoid situations that may give rise to a conflict of interest. Formal procedures are in place to deal with any conflict of interest. Directors are responsible for notifying the Chair and the Company Secretary as soon as they become aware of any actual or potential conflict of interest for discussion by the members of the Board. They will take into account the circumstances of the conflict when deciding whether or not to waive the potential conflict or impose conditions on the Director in the interests of the Company. In addition, Directors are required to declare any new appointments or changes in commitments.

Induction and professional development

On appointment, all new Directors receive a comprehensive and tailored induction, having regard to any previous experience they may have as a director of a public company or otherwise.

The Board receives detailed reports from executive management on the performance of the Group at its Board meetings and other information as necessary. Updates are provided on relevant legal, corporate governance and financial reporting developments.

An ongoing programme of training is available to all members of the Board to include internal online training and bespoke Board training on relevant topics such as ICAAP, regulatory developments, products and services of the business, GDPR and a number of other relevant topics as required. Directors are also encouraged to devote an element of their time to self-development. This is in addition to any guidance that may be given from time to time from the Company Secretary.

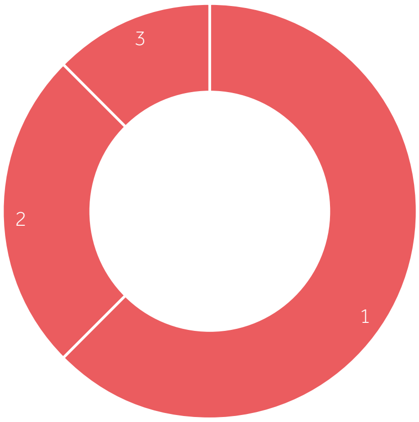
Board diversity

Diversity and inclusion are key priorities for the Group. Information on the Group's approach to diversity and inclusion and Board appointments can be found in the Nomination Committee report and the Strategic report. Gender balance on the Board is also taken into account when recruiting new Board members which is reflected in the Board's current composition which is currently 50% male and 50% female in its membership.

Succession planning

The Board uses succession planning to ensure that it has the necessary skills, knowledge and expertise in place to deliver the Group's strategy, and that it has the right balance of individuals to be able to discharge its responsibilities. The Board regularly reviews its composition to enable it to maintain its balance of skills and experience. Any searches for Board candidates, and appointments made, are based upon merit against objective criteria. The Nomination Committee has specific responsibility for the appointment of Non-Executive and Executive Directors and it recommends new appointments to the Board. It regularly reviews the structure, size and composition required of the Board and makes recommendations to the Board as appropriate. More information can be found in the Nomination Committee report.

Length of tenure of Non-Executive Directors and Chair



1.	0-3 years	5
2.	3-6 years	2
3.	6-9 years	1

Board effectiveness

In line with the requirements of the Code and under the direction of the Chair, the Board carried out an externally facilitated Board evaluation and effectiveness review. The process involved interviews with each individual director, Board and Committee observation, paper review and open Board discussion on the findings. The review covered a number of topics - governance, board composition, board skills, diversity, dynamics and operation, succession planning as well as committee composition and effectiveness. The Board will be reviewing and implementing any actions required from the evaluation in due course over the coming year.

Director election and re-election

All Directors appointed by the Board are required by the Company's Articles of Association and the Code to be elected by shareholders at the first AGM following their appointment. Accordingly Deanna Oppenheimer is seeking election. The Code also requires that all other serving Directors will seek re-election at the 2018 AGM. The Company's Articles of Association also states that all Directors are subject to election at every Annual General Meeting. The Board explains the reasons why it believes each Director should be elected or re-elected in the Notice of Meeting for the next Annual General Meeting. The Board believes that their performance continues to be effective and that their election is also consistent with the Board's evaluation of the size, structure and composition of the Board.

Engagement with stakeholders

The Board considers active engagement with its key stakeholders to be fundamental to the business. The Strategic Report sets out in more detail how we engage with key stakeholders including our employees, clients, investors and communities.

The Board recognises the importance of maintaining good communication with our shareholders. The Company has a programme of communication based on the financial reporting calendar which includes the interim and annual reports, trading updates, the Annual General Meeting and the Investor Relations section of the corporate website at www.hl.co.uk. The Report and Financial Statements are an important medium for communicating with shareholders, setting out detailed reviews of the business and its future developments in the Chair's statement, the Chief Executive Officer's review and the Strategic report.

CORPORATE GOVERNANCE REPORT CONTINUED

In addition to this, the Chief Executive Officer and Chief Financial Officer meet with institutional investors after results announcements, upon request or on an ad hoc basis during the year, including attendance at various investor conferences. They, together with the Company Secretary and Head of Investor Relations, also provide a point of contact for investors who wish to raise questions, queries or concerns.

Following dialogue with individual institutional shareholders, the Chair, Chief Executive Officer and the Chief Financial Officer all ensure that the Board is fully briefed on shareholders' views such that any issues or concerns are fully understood and considered. Analyst and broker briefings are regularly provided to the Board.

In addition, the Group's brokers sought feedback from investors following the 2017 final and 2018 interim results, and this feedback was reported to the Board.

Relationship with major shareholder

There is a Relationship Agreement in place between Peter Hargreaves and the Company to ensure that the independence provisions as set out in the Listing Rules are complied with. The terms of the agreement have been fully complied with during the year.

Internal controls

The Board is responsible for the Group's system of internal controls and for reviewing its effectiveness. The internal control environment is designed to mitigate, not eliminate risk and is reviewed during the course of the year by Internal Audit. The methods for reviewing the effectiveness of the control environment provide the Group with assurance against losses and material errors.

The Internal Control Framework follows the 'three lines of defence' model. Risk management is the responsibility of the operational teams which constitute the 'first line'. Oversight and guidance is provided by the 'second line' through the Risk and Compliance functions as well as from Financial Promotions, Compliance Monitoring, Client Protection, Financial Crime and Data Protection teams. Independent oversight of the internal controls of the business is the responsibility of the 'third' line, the Internal Audit function.

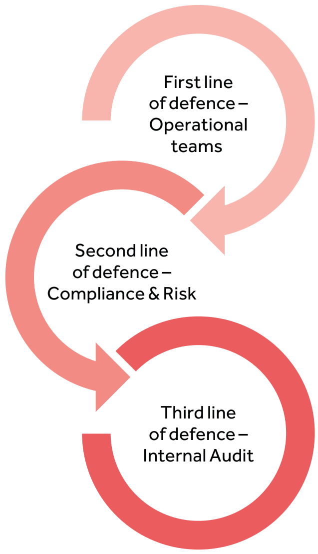
The Internal Audit function reports to the Audit Committee, to ensure its independence from the business and is subject to an external effectiveness review on a periodic basis.

Both the Internal Audit function and the Compliance Monitoring team perform a number of audits and reviews during the year covering the adequacy of controls and compliance with regulation. Results from these assurance activities are reported to the Executive Committee and the Board and are shared with the relevant operational teams who are responsible for taking mitigating actions. The progress against these actions is monitored and reported on by Internal Audit and Compliance Monitoring respectively.

The Board considers acceptance of appropriate risks to be an integral part of business and unacceptable levels of risk are avoided or reduced. Some activity is outsourced to a third party, but Hargreaves Lansdown recognises that it retains responsibility for the associated risks, which are managed through robust outsourced activity oversight processes. The Board carries out a review of the effectiveness of the Group's risk management and internal control environment and these reviews are supported on an ongoing basis by the work of the Audit and Risk Committees. The CRO also prepares a report on the design and operating effectiveness of the system of internal controls and this is presented to both the Risk and Audit Committees annually.

The Board believe that the ongoing process for identifying, evaluating and managing principal risks to achieving the Group's strategic objectives works effectively. The process was in place for the year ended 30 June 2018 and up to the date of approval of the Report and Financial Statements.

In the opinion of the Board, the Group's control framework is adequate and has continued to be improved through the period 1 July 2017 to 30 June 2018.



Compliance with the UK Corporate Governance Code

The Directors consider that the Company has been in compliance with the provisions set out in the Code throughout the financial year ended 30 June 2018.

The Board confirms that it believes the Report and Financial Statements taken as a whole, are fair, balanced and understandable and provide information necessary for shareholders to assess the position and peformance, business model and strategy.

AUDIT COMMITTEE REPORT

Dear Shareholder
I am pleased to present my first report as Chair of the Audit Committee, a role which I assumed on 1 January 2018, having succeeded Shirley Garrood, who was appointed as Risk Committee Chair. Fiona Clutterbuck also joined the Committee as a member replacing Christopher Barling who stepped down from the Board on 7 February 2018.

It has been a busy year for the Audit Committee during which we have continued to work closely with the Risk Committee to ensure the Group maintains a robust control environment. We have worked with the new Head of Internal Audit, who joined the Group in November 2017, and overseen the Group's enhancements to its Internal Audit regime. We have also monitored the integrity of the financial reporting process and reviewed the work of both External and Internal Audit. We have overseen the on-going enhancements of the CASS environment and compliance with the FRC's CASS audit standard.

As Chair of the Audit Committee, I am pleased to present this report and I will be available at the Annual General Meeting to answer any questions about our work through the year.

Roger Perkin
Chair of the Audit Committee

Role of the Audit Committee
The role of the Audit Committee is to assist the Board in discharging its duties and responsibilities for financial reporting, corporate governance and internal control. The Committee is also primarily responsible for making recommendations to the Board in relation to the appointment, re-appointment and removal of the External Auditor and to approve their remuneration and terms of engagement. The Committee's duties include keeping under review the scope and results of the external audit work, its cost effectiveness and the independence and objectivity of the External Auditor. The Committee also monitors the volume and nature of non-audit services provided by the External Auditor.

The Committee's responsibilities are set out in its Terms of Reference, which are designed to help the Board in discharging its responsibilities for:

- Monitoring the financial reporting process including the integrity of the Group's Report and Financial Statements, interim financial statements, trading updates and any other formal announcements relating to financial performance;
- Reviewing the consistency and continuing appropriateness of the Group's accounting policies;
- Ensuring that the Group's Report and Financial Statements, taken as a whole, is fair, balanced, understandable and provides shareholders with the information necessary to assess the Group's position and performance, business model and strategy;
- Reviewing and making recommendations to the Board regarding the Group's viability statement;
- Reviewing the Group's internal financial controls and the Group's internal control systems;
- Reviewing the statements to be included in the Report and Financial Statements concerning internal controls;
- Monitoring and reviewing the effectiveness of the Group's Internal Audit function;
- Reviewing and monitoring the External Auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;
- Making recommendations to the Board, for a resolution to be put to the shareholders for their approval in general meetings in relation to the appointment or removal of the External Auditor and the approval of the remuneration and terms of engagement of the External Auditor; and
- Overseeing the Group's procedures for public interest disclosure (whistleblowing).

The Terms of Reference for the Committee are available on the Group's website at www.hl.co.uk or can be obtained from the Company Secretary.

Audit Committee membership
The Committee meets at least five times each year. The attendance by each Director is set out in the table opposite. Shirley Garrood was the Committee Chair until she stepped down from the Committee on 1 January 2018. Roger Perkin and Fiona Clutterbuck were appointed as members of the Committee on 1 September 2017. Roger Perkin succeeded Shirley Garrood as the Committee Chair on 1 January 2018. Stephen Robertson and Jayne Styles each served on the Committee throughout the year. Christopher Barling stepped down from the Board and the Committee on 7 February 2018.

AUDIT COMMITTEE REPORT CONTINUED

The Committee believes that it has satisfied the UK Corporate Governance Code requirement to have members with industry experience and considers Roger Perkin, Jayne Styles and Fiona Clutterbuck to have significant experience of the asset management sector and wider financial services industry. The Corporate Governance Code also requires at least one member to have recent and relevant financial experience; this requirement was fulfilled by the previous Committee Chair Shirley Garrood and has continued to be fulfilled by the current Committee Chair, Roger Perkin. Membership of the Committee is regularly reviewed by the Committee Chair with any recommendations for appointments being made for consideration to the Nomination Committee prior to Board approval. Appointments are made for a three-year period and can be extended for no more than two additional three-year periods.

The Company Secretary acts as secretary to the Committee. Other individuals attend at the request of the Committee Chair and during the year the Group Chair, Chief Financial Officer and Head of Internal Audit would usually attend the meeting. The External Auditor also attended all meetings. The Committee also meets privately with the Head of Internal Audit and the External Audit team at least once a year.

Ongoing training is provided to help Committee members perform their duties. This may include attendance at formal conferences, briefings by specialist Hargreaves Lansdown staff and briefings by external accountancy firms. The Committee has access to the services of the Company Secretary and is authorised to obtain independent professional advice if it considers it necessary.

The members of the Committee at 30 June 2018 and attendees at the relevant five Committee meetings held during the 12 month period were:

Member	Position	Eligible meetings	Attended meetings
Roger Perkin[1]	Chair	4	4
Shirley Garrood[2]	Chair	2	2
Christopher Barling[3]	Non-Executive Director	3	3
Fiona Clutterbuck[4]	Non-Executive Director	4	4
Stephen Robertson	Non-Executive Director	5	5
Jayne Styles	Non-Executive Director	5	5

1 Member from 1 September 2017 and Chair from 1 January 2018.
2 Chair and member of the Committee to 1 January 2018.
3 Member to 7 February 2018.
4 Member of the Committee from 1 September 2017.

During the year the Committee considered the following topics in their meetings:

Topic	August	October	February	April	June
Financial reporting	•	•	•	•	•
Significant Issues and judgements	•	•	•	•	•
CASS	•	•	•	•	•
Internal controls	•		•		•
Internal Audit	•	•	•	•	•
External Audit	•	•	•		•
Tax strategy				•	
Whistleblowing					•
Compliance monitoring				•	

Financial reporting

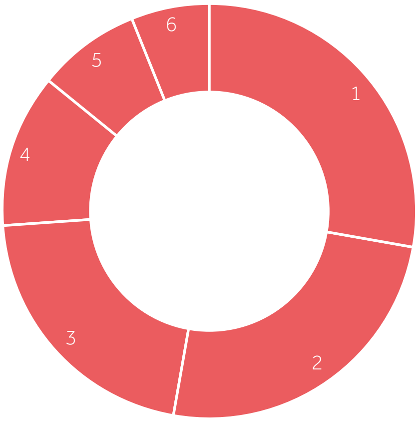
Financial statements

The Committee has reviewed and discussed the financial disclosures made in the Report and Financial Statements and Interim Statements, made by the Group together with any related management letters, letters of representation and reports from the External Auditor. Significant financial reporting issues and judgements were considered together with any significant accounting policies and changes proposed to them. Key duties in this regard have included:

- Monitoring the integrity of the Group's financial statements and a review of the significant accounting policies;
- Reviewing and reporting to the Board on significant financial issues and judgements and challenging management where necessary on those estimates and judgements;
- Reviewing the Report and Financial Statements, advising the Board on whether, taken as a whole, the statements are fair, balanced and understandable; and
- Assessing and challenging the going concern and viability assessment undertaken by management.

Overview of activities during the financial year

During the year the Audit Committee discharged its responsibilities by performing the following activities:



1.	Financial reporting	28%
2.	Internal Audit	25%
3.	CASS	21%
4.	External Audit	12%
5.	Internal controls	8%
6.	Other	6%

Accounting judgements and significant issues

Significant judgements

In reviewing the Report and Financial Statements, the Committee has concluded that there are no significant financial judgements. As part of its review, the Committee considered the following areas:

Income recognition

The Group's revenue stream continues to be non-complex, mainly consisting of high-volume, low-value transactions. The Committee has been provided with and considered a range of management information and details regarding reconciliations carried out on cash, stock, client money and client assets through its CASS oversight, which have provided confidence in the revenue calculation. The Committee has also received reports from Internal Audit on the client charging process. Further confidence has been provided by the External Auditor from their approach to fully recalculating the Group's significant revenue streams. Sample-based testing is also conducted for those revenue streams not fully recalculated.

Capitalisation of intangible assets

The Group continues to invest in the Active Savings proposition, which launched in December 2017. The Group expects there to be a long-term economic benefit and, as such, the Committee has reviewed and agreed the appropriate accounting treatment for capitalising development costs incurred. For the year to 30 June 2018, £4.3 million (2017: £3.7m) has been capitalised in respect of the Active Savings platform. The Committee reviewed and approved an updated capitilisation policy which ensures consistent treatment across development projects in the UK and Poland.

Goodwill

The statement of financial position shows £1.3 million of goodwill relating to the acquisition of shares in HL Pensions Direct (now called HL Advisory Services). In accordance with IAS 36, an annual test of impairment of goodwill was undertaken and the Committee reviewed the results which demonstrated that no impairment was required.

Assessment of Viability Statement

The Committee has assessed the viability of the Group over the three year period to June 2021 on behalf of the Board. It has also reviewed the statements made in the Report and Financial Statements to ensure they comply with disclosure requirements. Details of the assessment can be found in the risk management and the principal risks and uncertainties section of the Strategic report.

Share-based payments

The Committee reviewed the key assumptions used for the valuation of options relevant to the Company's share-based incentive schemes and the performance period over which fair values are amortised. It also ensured these were all appropriately accounted for in the 2018 Report and Financial Statements.

Tax strategy

The Committee has reviewed and approved the Group's tax strategy noting the Group's low appetite for tax risk or planning in accordance with the Finance Act 2016. This has been made publicly available on the Company website.

Fair, balanced and understandable

The Committee considered on behalf of the Board whether the Report and Financial Statements for the year ended 30 June 2018, taken as a whole, are fair, balanced and understandable, and whether the disclosures are appropriate. The Committee is satisfied that the Report and Financial Statements meets this requirement, and in particular, that appropriate disclosure has been made with respect to any developments in the year. In justifying this statement, the Committee has considered the robust procedures around the preparation, review and challenge of the Report and the consistency of the narrative sections with the Financial Statements. The Report is drafted by the Executive with overall governance and co-ordination provided by the Chief Financial Officer. Assurances are sought by the Committee on each section of the Report in advance of the final sign off by the Committee and ultimately the Board.

Following its review, the Committee is satisfied that the Report and Financial Statements are fair, balanced and understandable, and provides the information necessary for shareholders and other stakeholders to assess the Group's position and performance and has advised the Board accordingly.

Internal controls and risk management

Together with the Risk Committee, the Audit Committee provides independent and objective assurance on risks and controls to the Board. The Group's system of internal control and risk management is designed to manage rather than eliminate risk of failure to achieve the Group's objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. In satisfying the requirements to ensure that the Group has adequate systems of control and risk management, and taking into account the assurance provided by the Risk and Internal Audit functions, the Committee has:

- Reviewed the adequacy and effectiveness of internal controls, financial reporting and risk management;
- Reviewed management responsiveness to addressing control weaknesses;
- Reviewed and approved the internal control and risk management statements in the Report and Financial Statements;
- Reviewed the adequacy of the CASS controls and assurance reports provided by Finance, the CASS oversight team, Internal Audit and the External Auditor. The Committee challenged the key executives on the content and veracity of those reports. Overall, the Committee is satisfied that there are appropriate arrangements, actions or mitigating controls in place; and
- Reviewed an assessment of the effectiveness of the Group's fraud risk controls, IT risk controls and compliance monitoring reports.

Overall, the Committee is satisfied that there are appropriate arrangements, actions or mitigating controls in place. On behalf of the Board, the Committee confirms that through discharging its responsibilities under its Terms of Reference and also by undertaking regular reviews of the effectiveness of the Group's system of internal control it is able to confirm that necessary actions have been or are being taken to remedy any significant failings or material weaknesses identified.

Internal Audit

Internal Audit's work is focused on areas of greatest risk to the Group, as determined by a structured risk assessment process involving Executive Directors and senior management. The role of the Internal Audit department and the scope of its work continues to evolve taking into account changes within the business and emerging best practice. The Head of Internal Audit attends the Committee meetings and meets at least annually with the Committee without executive management present.

In satisfying its duties to monitor and review the effectiveness of the Group's Internal Audit function, the Committee has reviewed and approved the terms of the Internal Audit function as set out in the Internal Audit Charter, the annual audit plan and internal audit methodology for Internal Audit and has monitored progress against the plan during the year. Internal Audit carried out a significant number of audits during the year of varying size and complexity. Audit reports are circulated to the Committee members prior to each scheduled meeting and the Committee monitors progress against actions identified in these reports and the External Auditors' management letter. The Committee has established a questionnaire based procedure to monitor and review Internal Audit's effectiveness using feedback from the Board and senior management. The Committee also assesses annually the resources Internal Audit has to complete its remit including co-source arrangements in place enabling Internal Audit to commission the support of subject matter and technical experts where needed. Internal Audit has unrestricted access to all Group documentation, premises, functions and employees as required to enable it to perform its functions. The appointment and removal of the Head of Internal Audit is the responsibility of the Committee.

The Committee has assessed the effectiveness of Internal Audit and is satisfied with its performance, progress and effectiveness during the year.

External Audit

The Committee has responsibility for overseeing the relationship with the External Auditor and has done so throughout the year. The Committee, in satisfying its duties, has:

- Approved the External Auditor engagement letter, audit fee and audit plan (including levels of materiality);
- Approved the External Auditor management letter;
- Received regular detailed reports from the External Auditor including a formal written report dealing with the audit objectives; the auditors' qualifications, expertise and resources; effectiveness of the audit process; procedures and policies for maintaining independence; and compliance with the ethical standards issued by the Auditing Practices Board;
- Reviewed the findings of the External Auditor and considered management's response;
- Monitored and confirmed the objectivity and independence of the External Auditor;
- Met with the External Auditor without management present;
- Monitored the latest ethical guidance regarding rotation of audit partners; and
- Agreed the policy for the provision of non-audit services.

The Committee also assessed the effectiveness of the External Auditor and the audit process. The review included seeking the views of Committee members, Executives and senior managers. The review concluded that the external audit process was effective. The Committee is satisfied with the performance of the External Auditor during the year and the policies and procedures in place to maintain their objectivity and independence, and has recommended that they be re-appointed at the forthcoming Annual General Meeting.

Non-audit fees

The External Auditor provides some non-audit services, primarily in the provision of regulatory assurance and advice. In order to ensure that auditor objectivity and independence are safeguarded the following controls have been implemented:

- A formal policy on the use of the External Auditor for non-audit work has been agreed by the Committee; This ensures that work would usually only be awarded when, by virtue of the External Auditor's knowledge, skills or experience, the External Auditor is clearly preferred over alternative suppliers;
- The Committee receives and reviews an analysis of all non-audit work awarded to the External Auditor over the financial period; and
- The Committee receives a report from the External Auditor as to any matters that it considers bear on its independence and which need to be disclosed to the Committee.

The Committee confirms that the proportion of non-audit to audit fees for the year was 63% (2017: 60%) which remains within the limits set in our policy for external auditor independence , a copy of which can be found on our website.

There were £239,862 of non-audit fees for 2018 (2017:£271 ,353). £154,148 of this amount related to the FCA-mandated assurance reporting of subsidiaries regulated under the CASS rules (2017: £185,000) which are excluded from the above calculation. £34,000 related to the profit-verification work to enable payment of dividends in line with the established timetable (2017: £33,000) and £26,000 related to the interim review (2017: £25,000). £9,311 relates to fees for the non-statutory audit of HL Tech (2017: £nil) and £5,150 for the non-statutory audits of the two HL Trusts (2017: £5,000). £12,000 of additional services were provided (2017: £23,000). Fees for the statutory audit for 2018 were £135,599 (2017: £144,950).

Tenure of the external auditor

The Group appointed PwC as the External Auditor, following a tender process in 2013. Alex Bertolotti was the lead audit partner throughout the financial year. In line with the EU audit regulation requirements, Hargreaves Lansdown will be required to undertake a formal tender process at least every ten years and hence this will be required by 2023. In addition, the Senior Engagement Partner is required to be replaced every five years in accordance with the regulation. The current lead audit partner has held the position for three years. The Group has complied with the provisions of the Competition Markets Authority Order 2014 throughout the year under review and as at the date of this report. The Audit Committee has therefore recommended to the Board that a resolution is put to shareholders recommending PwC's reappointment and their terms of engagement and remuneration at the AGM of the Company. This will continue to be assessed on an annual basis. The External Auditor will be asked to attend the Annual General Meeting and will be available to answer shareholders' questions about the audit and their report.

Whistleblowing

The Whistleblowing policy and procedure for staff to raise issues regarding possible improprieties in matters of financial reporting or other matters was reviewed during the year. The Committee is responsible for monitoring the effectiveness of the Group's whistleblowing procedures and any notifications made. The Committee is charged with ensuring that appropriate arrangements are in place for employees to be able to raise matters of possible impropriety in confidence and performing suitable subsequent follow-up action. An alternative reporting channel also exists whereby perceived wrongdoing may be reported via telephone to an external third party.

AUDIT COMMITTEE REPORT CONTINUED

Audit Committee Evaluation

The Board has carried out a comprehensive externally facilitated Board Evaluation review this year which has included a review of the performance of the Audit Committee. The Board is reviewing the results of the evaluation and will be implementing any actions required in due course over the coming year.

Audit Committee priorities for 2018/19

Looking ahead to 2018/19, in addition to the normal routine audit schedule, there will be additional focus on:

- Planning for IFRS9, IFRS15 and IFRS16;
- Review of the inaugural audit of HL Tech;
- Appraisal of internal financial systems and controls
- Evaluation of direct and indirect tax administration; and
- Consider possible impacts of Brexit on financial reporting and audit.

Signed on behalf of the Audit Committee

Roger Perkin
Chair of the Audit Committee

6 August 2018

INVESTMENT COMMITTEE REPORT

Dear Shareholder

I am pleased to present the Investment Committee's report for 2018. The Committee was established in August 2016 to provide oversight of the investment part of the Group, including its governance and product offerings. The Committee continues to provide challenge to the executive team in relation to all aspects of the investment business and over the period the Committee has received information from the business regarding the Group's investment product range and performance, as well as its controls framework and risks.

The Terms of Reference for the Committee are available on the Group's website at www.hl.co.uk or can be obtained from the Company Secretary.

I will be available at the Annual General Meeting to answer any questions about our work through the year.

Jayne Styles
Chair of the Investment Committee

Role of the Investment Committee

The Committee is tasked with providing challenge and oversight to the investment business, including the investment decision making process, Alternative Investment Fund Management Directive (AIFMD) compliance, policies and outcomes relating to Hargreaves Lansdown Multi-Manager funds, HL Select funds, Portfolio Management Services (PMS), HL Portfolio+, Wealth 150+, Master Portfolios and Foundation Portfolios and the marketing of third party funds.

In providing independent challenge, the Committee assists the Board with its Multi-Manager fund AIFMD oversight requirements relating to asset allocation, investment strategy and performance, together with oversight of the investment risk management process.

Investment Committee – membership and attendance

The Committee meets at least four times a year; there were four scheduled meetings during the year and no additional ad hoc meetings were required. The Company Secretary acts as Secretary to the Committee. Other individuals attend at the request of the Committee Chair and during the year the Chief Investment Officer, Head of Client Proposition and Service, the Risk and Compliance Director and the Head of Research attended the meeting.

The members of the Committee at 30 June 2018 and their attendance at the four meetings held during the 12 month period were:

Members	Position	Eligible meetings	Attended meetings
Jayne Styles	Chair	4	4
Stephen Robertson	Non-Executive Director	4	4
Philip Johnson	CFO	4	4

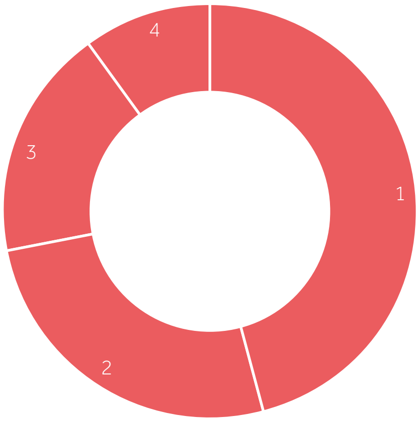
INVESTMENT COMMITTEE REPORT CONTINUED

On an ongoing basis, membership of the Committee is reviewed by the Chair of the Committee and any recommendations for new appointments are made to the Nomination Committee for onward recommendation to the Board. Since last year end, the composition of the Committee was changed and Philip Johnson was appointed to the Committee with effect from 10 August 2017 to provide additional oversight expertise given his previous experience, and the previous non-plc director members became attendees only.

Main activities during the year
In discharging its responsibilities the Committee focused on:

- Risk and compliance, including monitoring of conflicts of interest, challenge to investment related policies and processes, such as the risk management process, as well as review of regular risk updates from the Group's risk function. Liquidity monitoring and stress testing, conflicts of interest reporting and fund benchmarking have been challenged, and the Committee has also provided challenge in respect of the life styling process for corporate clients;
- Consideration of investment team updates, which cover information about the performance of the HL Multi-Manager funds, HL Select funds, PMS, HL Portfolio+, Wealth 150, Master Portfolios and Foundation Portfolios. The updates also include market information and oversight of the communication process to clients in respect of Hargreaves Lansdown's investment products. The Committee also reviewed analysis of the flows of business into and out of the Group's investment offerings; and
- The Committee also provided challenge regarding the launch of the Simply Invest product offering.

Overview of activities during the financial year
The chart below outlines how the Committee has spent its time this year:



1.	Investment team update	46%
2.	Governance	26%
3.	Risk and compliance	18%
4.	Product offerings	10%

Investment Committee Evaluation
The Investment Committee carried out an evaluation of its performance during the year. In addition the Board has carried out a comprehensive externally facilitated Board Evaluation review this year which has included a review of the Investment Committee. The Board is reviewing the results of the evaluation and will be implementing any actions required in due course over the coming year.

Signed on behalf of
the Investment Committee.

Jayne Styles
Chair of the Investment Committee

6 August 2018

ANNUAL STATEMENT BY THE CHAIR OF THE REMUNERATION COMMITTEE

Dear Shareholder

On behalf of the Board, I am pleased to present my first report as Remuneration Committee Chair following my appointment during the financial year. I would like to thank my predecessor, Christopher Barling, for the valuable contributions he made during his tenure, including the introduction of our new remuneration policy for Executive Directors which received overwhelming support from our shareholders at the 2017 AGM.

I have set out below a summary of the key changes to our remuneration policy which took effect for this financial year, the main decisions made by the Committee in relation to remuneration outturns based on 2018 business performance, context on our focus on gender pay and diversity, as well as our areas of focus for the forthcoming year.

Remuneration changes during the year

Hargreaves Lansdown's remuneration policies and practices are designed to promote the long term success of the Company by supporting the business strategy and delivering value to our shareholders. This is the first year in which we have applied our new remuneration policy approved by shareholders at last year's AGM. We consider that we now have the tools to recognise the contribution made by our executive team to the Group's success, and to enhance the alignment of our Directors' interests with those of shareholders.

The key changes impacting remuneration this year were:

- We made our first awards under the new five year Sustainable Performance Plan, which replaced the previous three year LTIP. Under this plan, Executives receive a conditional award of nil cost options with a face value of up to 50% of base salary each year, subject to underpinning performance conditions measured over five years. This replaced an LTIP which had a maximum grant of 250% of salary;
- This was the first year that the reduction in maximum annual bonus opportunity to 350% of base salary applied, with 40% bonus deferral over three years; and
- The revised shareholding guideline for our Executive Directors now applies, increased from 200% of base salary to 300% of base salary, to be built up over six years.

A summary of the remuneration policy approved by shareholders is presented on pages 71 to 74.

Business context in 2018

As discussed in our Strategic report, we have seen a very strong performance across our business during the 2018 financial year, particularly in relation to our financial and strategic goals.

We had an excellent year for attracting new clients with a 16% increase in net new clients, and we also attained double digit net new business and profit growth. This was a significant achievement when considered against a backdrop of weaker investor sentiment, particularly in the second half of the year. The increase in our client numbers has allowed us not only to gain market share across both the platform and share dealings market, but also to make investments to support client service, to deliver necessary regulatory projects and invest in our capabilities to deliver future growth.

In terms of strategic initiatives, we accelerated technology change and successfully launched Active Savings and Simply Invest to enhance our client experience. We also made important progress in other key areas necessary to maintain and safeguard our business, such as enhancing systems and controls in relation to our holdings of client money and custody assets, and our Client Protection Programme.

The rapid growth in our client base brings operational challenges but we were pleased to maintain our client services standards in spite of a significant increase in the volume of client activities, with fewer reported complaints per transaction. Although our Net Promoter Score (NPS) showed an adverse trend over the year, we are continuing to focus on improving our Helpdesk and our clients' online experience to ensure that our high standards of client service are not impacted by the continued growth in our business volumes.

The Committee considers that these achievements outlined above have been the result of a very strong performance from our leadership team. The 2018 bonus outcomes for both Chris Hill and Philip Johnson reflect high levels of leadership shown by both during the year, as well as excellent performance against their personal objectives.

Futher details on how bonuses have been determined for the 2018 performance year are set out in the annual report on remuneration.

ANNUAL STATEMENT BY THE CHAIR OF THE REMUNERATION COMMITTEE CONTINUED

Gender pay

We are committed to improving diversity, inclusion and giving an equal opportunity to everyone who wishes to progress their career at Hargreaves Lansdown.

Our Chair and Chief Executive are members of the 30% Club and we have signed up to the Women in Finance Charter, both focused on increasing the number of women in senior leadership positions. Furthermore, we are positioned in the top 25 in FTSE 100 ranking of Women on Boards and in Leadership.

We are committed to making further progress and we will continue to strive to improve our gender diversity and gender pay gap by:

- Increasing the number of women applying for promotions at all levels, through training, mentoring and leadership programmes;
- Reviewing our recruitment and promotion process;
- Introducing wider networks to support diversity and inclusion;
- Working with peers and industry groups to develop best practice; and
- Introducing unconscious bias training for senior leaders which will be rolled out to all managers by the end of 2018

Details of our gender pay gap for the year to 5 April 2017 can be found in the 2017 gender pay report on our website. We are committed to reducing this gap over time by increasing the proportion of women in senior leadership roles. I will report back in next year's directors' remuneration report on the progress we have made during the year.

Areas of focus for the forthcoming year

Minimal changes are proposed to the operation of the remuneration policy in respect of the 2019 financial year. We have reviewed our malus and clawback triggers in light of regulatory best practice, and as a result have harmonised our triggers across both share plans operated for the Executive Directors and members of the Executive Committee – the Deferred Bonus Plan and the Sustained Performance Plan.

We have also awarded a 2% salary increase to Executive Directors, in line with the standard approach taken for base salary increases across the organisation.

Looking forward, we continue to monitor remuneration developments within the asset management industry. During 2018/19, we intend to review our remuneration approach throughout the organisation in light of the forthcoming introduction of the Senior Managers and Certification Regime and regulatory best practice emerging on reward.

The Terms of Reference for the Committee are available on the Group's website at www.hl.co.uk or can be obtained from the Company Secretary.

Contents of this report

On the following pages we set out:

- A summary of the revised Director's remuneration policy which was approved at the 2017 AGM on 11 October 2017; and
- The annual report on remuneration. This will be subject to an advisory vote at the AGM where I will be available to answer any questions.

Fiona Clutterbuck
Chair of the Remuneration Committee

DIRECTORS' REMUNERATION POLICY (SUMMARY)

The Directors' remuneration policy was subject to a binding vote and approved by shareholders at our 2017 AGM held on 11 October 2017. It is intended that it should apply for three years, until our 2020 AGM.

The full Directors Remuneration Policy can be found on pages 58 to 63 of the 2017 Report and Financial Statements, which is available to view on our website at www.hl.co.uk/investor-relations. The tables below summarise the key elements of pay for Executive and Non-Executive Directors.

Executive Directors

Component / purpose and link to strategy	Operation and performance measures	Maximum opportunity
Base salary Reflects the individual's responsibilities, experience and contribution. Supports the recruitment and retention of the calibre of individuals required to lead the Company.	Base salaries are reviewed annually, with any increase usually effective from 1 July. Base salaries are set taking into account a range of factors including external remuneration levels and remuneration levels within the Group, as well as an individual's responsibilities, experience and contribution. Base salary will ordinarily increase by no more than the average of relevant staff increases. Any increase beyond this would only be made in exceptional circumstances, which would be explained by the Remuneration Committee.	No prescribed maximum increase.
Annual Performance Bonus Rewards achievement of the Group's business plan, key performance indicators and the personal contribution of Directors. Aligns the interests of Directors with those of shareholders.	The level of Annual Performance Bonus payable is linked to key financial metrics as well as corporate and individual performance against objectives. The on-target bonus for each Director as a percentage of base salary will be disclosed in advance in the annual report on remuneration for each year. Performance will be assessed against a combination of financial/growth, non-financial and individual measures over a one year period. There is no prescribed weighting of particular metrics, but financial performance is central to the decision-making process. In assessing the overall performance outcome, the Remuneration Committee will use its judgement to consider: • The extent to which market movements, investor sentiment, interest rates and regulation, all of which are beyond the control of the Directors, have impacted the performance. This may result in either reductions or increases in the rewards that would otherwise have been granted; • The extent to which management has operated within the agreed risk parameters; and • The extent to which the bonus outcome reflects the overall performance of the business in the context of shareholder experience. 40% of the Annual Performance Bonus is subject to compulsory deferral into nil cost options for a period of three years. Dividend alternatives will accrue on deferred awards and will be paid at the time of vesting. Any unvested deferred awards are subject to a formal malus mechanism. The non-deferred element of bonus awards are subject to clawback for three years from the date of award.	The maximum bonus opportunity for Directors under the policy is three and a half times base salary in respect of the relevant financial year. The aggregate value of bonuses payable to all members of the Executive Committee (including the Directors) is capped at 5% of profit before tax for that year.

DIRECTORS' REMUNERATION POLICY (SUMMARY) CONTINUED

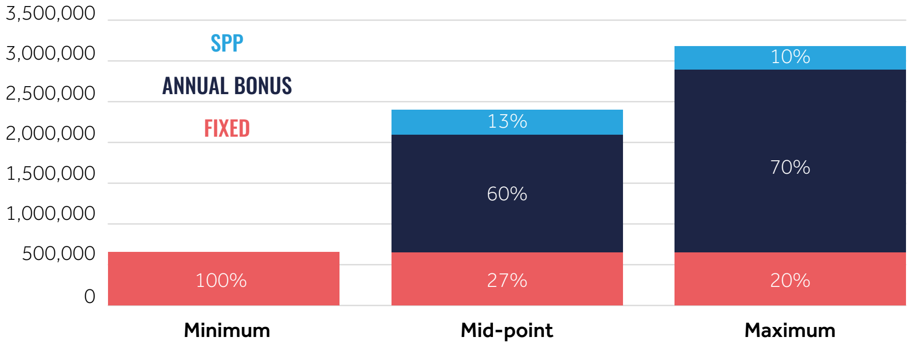
Component / purpose and link to strategy	Operation and performance measures	Maximum opportunity
Sustained Performance Plan Aligns the interests of Directors with those of shareholders and rewards long-term stewardship of the Company.	Annual awards of nil cost options will vest over a five year period, subject to the achievement of underpinning performance conditions over the vesting period. The grant of awards will be subject to satisfactory personal performance of each Director in the period prior to grant. The underpinning performance conditions applicable for each award will be disclosed upfront in the remuneration report. Dividend alternatives will accrue on unvested awards and will be paid at the time of vesting. Any unvested awards will be subject to a formal malus mechanism.	The maximum award each year under the Policy is half times base salary.
Shareholding Guideline Aligns the interests of management and shareholders to the success of the Group	Directors have six years from appointment to the Board to achieve a shareholding with a minimum value of three times base salary. Vested but unexercised nil cost options under the annual performance bonus are included in the calculation of a Director's shareholding. Unvested nil cost options under the Sustained Performance Plan and previous LTIP are not included.	Not applicable.
Pension Provides adequate pension saving arrangements for Directors and staff.	Pension provision is provided in line with the pension provision for all staff. Any changes made to the staff arrangements will be carried across to the Directors. The Committee may amend the form of any Director's pension arrangements in response to changing pension legislation or similar developments, so long as any amendment does not increase the cost to the Company of a Director's pension provision by any greater percentage than the increase to the provision for all other staff. All staff and Directors may waive an element of their Annual Performance Bonus in return for a corresponding employer's contribution into their pension. The Company will pay a cash allowance in place of an employer pension contribution where a Director has reached the Lifetime Allowance or would exceed the annual limit or has opted out where they have elected to protect their Lifetime Allowance.	A defined contribution pension arrangement is provided for all employees, with an employer contribution of 5% of base salary. Where employees make additional contributions of over 5% of salary, these will be double matched by the Company to a maximum value of a further 6% of salary. Any contribution paid as a result of waiver of the cash element of an Annual Performance Bonus will not be counted towards these maxima and will not attract matched funding.
Benefits An 'across the board' benefits package is available both to staff and Directors alike.	All eligible staff and Directors may take up a range of benefits. Where costs are necessarily incurred in the performance of duties on behalf of the Company, those costs will be reimbursed in full, e.g. travel, accommodation, subsistence, relocation, and any tax and social costs arising. Provision of tax efficient benefits such as pension contributions, additional holiday, childcare vouchers and workplace parking is available through a salary sacrifice mechanism. Group life insurance and Group permanent health insurance is provided to all staff with greater than six months' continuous service. All eligible staff (as defined by the scheme rules and which includes Executive Directors) may participate in the Save As You Earn scheme or Share Incentive Plan. Appropriate Director insurance and indemnity cover is provided by the Company. Some Company services are provided at a reduced cost on the same basis as for all other employees.	The maximum value of benefits will depend on the cost of the provision of those benefits. There are a number of variables and unknowns impacting the maximum payable in the event of relocation; however, the Committee would approve no more than is necessary in such situations.

Illustration of application of Remuneration Policy

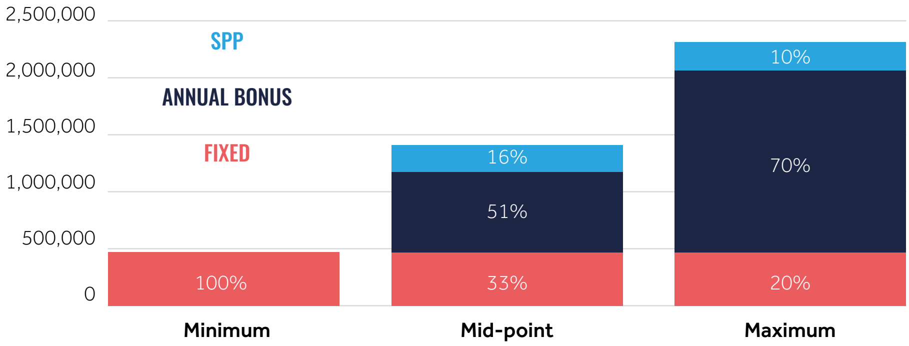
The Committee discloses each year in the Group's Report and Financial Statements a bar chart that models the potential remuneration for each of the Executive Directors for the forthcoming year using a range of assumptions. The chart shows the potential value of the current Executive Directors' remuneration for the forthcoming year for three scenarios; 'minimum', 'maximum' and 'mid-point scenario' as follows:

- The minimum amount represents the unconditional component of the remuneration package: salary, pension and employee benefits;
- The mid-point amount is the amount the Executive Director will receive if they achieve an 'on-target' bonus level and awards under the Sustained Performance Plan vest in full. It will include both fixed and variable components of remuneration; and
- The maximum level is the maximum amount of remuneration each Executive Director can be awarded in the year. The maximum is subject to remuneration caps that have been established for each component.

Chris Hill – Remuneration Opportunity for 2018/2019



Philip Johnson – Remuneration Opportunity for 2018/2019



DIRECTORS' REMUNERATION POLICY (SUMMARY) CONTINUED

Non-Executive Directors

Component / Purpose	Operation
Basic fee Supports the attraction and retention of high performing individuals, considering both the market value of the position and the individual's skills, experience and performance.	The Chairman and Non-Executive Directors' basic fees are reviewed annually by those responsible. Fee increases, if applicable, are normally effective from 1 July. The fee levels are set taking into account market data for comparable positions taking account of the time commitment required for the role. All Non-Executive Director's fees including those below are paid in cash, on a quarterly basis. The Non-Executive Directors are not eligible for bonuses, pension or to participate in any Group employee share plan.
Committee Chair and Committee member fees Recognises the additional time commitment and responsibility involved in chairing or being a member of a Committee of the Board.	Each Non-Executive Director receives an additional fee for each Committee for which they are Chair or a member. The Committee Chair fees reflect the additional time and responsibility in chairing a committee of the Board, including time spent in preparation and liaising with management, and the time spent attending and preparing for a committee of the Board. The Committee member fees reflect the additional time and responsibility in holding that role.
Senior Independent Director (SID) fee Recognises the additional time commitment and responsibility involved in holding the role of the SID.	The SID receives an additional fee for his or her role. The fee reflects the additional time and responsibility in fulfilling the role of Senior Independent Director.
Benefits and Expenses To appropriately reimburse the Chair and Non-Executive Directors for out-of-pocket expenses incurred in the fulfilment of their responsibilities and any tax and social costs arising.	Expenses may be claimed by the Chair and Non-Executive Directors in line with the Company's expenses policy. Appropriate Director insurance and indemnity cover is provided by the Company. Some Group services are provided at a reduced cost, on the same basis as for all other employees. No other benefits are made available to Non-Executive Directors.

The maximum aggregate remuneration for Non-Executive Directors is set in accordance with the Articles of Association.

General

External Board appointments

The Company recognises that external Non-Executive Directorships are beneficial to both the Director and the Company and that its Executive Directors may be invited to become Non-Executive Directors of other companies. Such non-executive duties can broaden experience and knowledge which can benefit the Company. Subject to approval by the Board, Executive Directors are allowed to accept a maximum of two non-executive appointments and retain the fees received, provided that appointments are not likely to lead to conflicts of interest.

Consultation with employees

While the Committee does not consult directly with employees in respect of the Directors' remuneration, it does consider the wider salary increase, remuneration arrangements and employment conditions across the wider employee population when setting the Directors' Remuneration Policy.

Consideration of shareholder views

The Committee recognises that Director remuneration is an area of particular interest to our shareholders and in setting and considering changes to remuneration, it is critical that we listen to, and take into account, their views.

The Committee considers shareholder feedback received in relation to the AGM each year at its first meeting following the AGM. This feedback, as well as any additional feedback received during any other meetings with shareholders, is then considered as part of the Company's annual review of the Remuneration Policy. We also regularly engage with our largest shareholders to ensure we understand the range of views which exist on remuneration issues. When any material changes are made to the policy, the Committee will discuss these in advance with our major shareholders wherever practical. The Committee will also consult with professional advisers to ensure we consider current market and industry practices, where appropriate.

ANNUAL REPORT ON REMUNERATION

This report has been prepared in accordance with the provisions of the Companies Act 2006 and the Large and Medium-Sized Companies and Groups Regulations 2013. It also meets the requirements of the UK Listing Authority's Listing Rules and the Disclosure and Transparency Rules. The Remuneration Committee confirms throughout the financial year that the Company has complied with these governance rules and best practice provisions.

Role of the Remuneration Committee

The Board remains ultimately accountable for executive remuneration but has delegated this responsibility to the Remuneration Committee.

The Remuneration Committee is therefore responsible for determining the Remuneration Policy for the remuneration of the Executive Directors of the Company and of the subsidiary companies, the Chair, other members of executive management and all other staff who are deemed to be 'Material Risk Takers' or 'Identified Staff'. The policy is determined with due regard to the interests of the Company, the shareholders and the Group, with the objective of this being to attract, retain and motivate executive management of the quality required to run the Group successfully without paying more than is necessary.

The performance measurement of the Executive Directors and key members of senior management and the determination of their annual remuneration packages is also undertaken by the Committee. For individuals below Director level, there is a sub committee for the review of individual remuneration outcomes consisting of the Chief Executive Officer, Chief Financial Officer, Chief People Officer and Group Risk and Compliance Director, which reports to the Committee on its decisions.

The Committee also ensures that the remuneration relationship between the Executive Directors and senior employees of the Group is appropriate and that the Remuneration Policy complies with the relevant FCA Remuneration Codes. Any exceptional remuneration arrangements for senior employees are advised to the Committee.

The proceedings of the Remuneration Committee were reviewed as part of the externally facilitated Board evaluation process, as described on page 59, and the Committee will be reviewing and implementing any actions required from the evaluation in due course over the coming year.

Meetings during the year

There were five scheduled meetings during the year and additional ad hoc meetings where required. Christopher Barling chaired the meetings in August and October 2017 and Fiona Clutterbuck then chaired the remainder of the meetings during the year. Other members were Mike Evans, until his departure from the Board in February 2018, Deanna Oppenheimer, following her appointment as Chair of the Board, Shirley Garrood and Stephen Robertson.

None of the Committee has any personal financial interest (other than as shareholders), conflicts of interests arising from cross-directorships or day-to-day involvement in running the business.

Director	Position	Eligible meetings	Attended meetings
Christopher Barling[1]	Chair	3	3
Fiona Clutterbuck[2]	Chair	4	4
Mike Evans[3]	Non-Executive Director	3	3
Deanna Oppenheimer[4]	Non-Executive Director	3	3
Shirley Garrood	Non-Executive Director	5	5
Stephen Robertson	Non-Executive Director	5	5

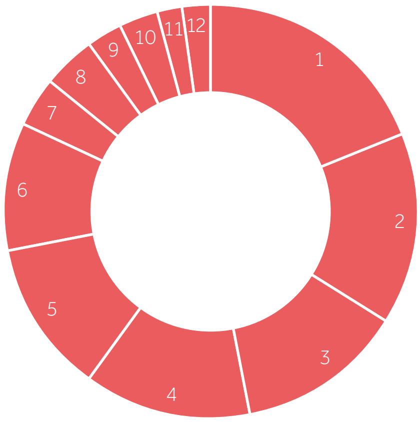
1 Chair to 31 December 2017 and member to 7 February 2018
2 Member from 1 September 2017 attending one meeting and Chair from 1 January 2018 attending three meetings
3 Member to 7 February 2018
4 Member from 7 February 2018

ANNUAL REPORT ON REMUNERATION CONTINUED

Activities during the year included:

- Reviewing the Directors' remuneration report in the 2017 Report and Financial Statements, and considering all of the feedback received from institutional shareholders;
- Determining a revised framework for the application of malus and clawback provisions across variable pay awards;
- Agreeing the design and implementation of a new annual incentive arrangement for fund managers;
- Considering a formal assessment of risk performance in relation to remuneration;
- Reviewing and agreeing performance bonuses for the Executive Directors as well as other Material Risk Takers;
- Reviewing the approach for the identification of Material Risk Takers (MRTs) under CRD IV, AIFMD and UCITS V, and overseeing a committee which reviewed the base salary levels and performance bonuses for MRTs below Director level;
- Reviewing and approving the required Remuneration Code disclosures;
- Reviewing and analysing the gender pay gap reporting covering the snapshot date of 5 April 2017 as well as determining actions to address the gender pay gap;
- Overseeing the establishment of a new Reward Governance Committee to help strengthen the governance of incentive schemes and material risk taker remuneration outcomes from the 2018/19 performance year; and
- Reviewing the effectiveness of the Remuneration Committee.

Remuneration Committee allocation of time



1.	Benchmarking	19%
2.	Exec Remuneration	15%
3.	FCA Rem policy incl MRT	13%
4.	Company/performance review	13%
5.	Regulatory market update	12%
6.	Other	10%
7.	Routine	4%
8.	Directors Remuneration Report	4%
9.	Gender pay gap	3%
10.	CRO report on malus, clawback	3%
11.	Proportionality/AIFMD/CRD	2%
12.	CEO Remuneration	2%

Advice to the Committee

The Committee is supported by the Company Secretary, the Chief People Officer and the Chief Executive Officer, who are invited to attend Committee meetings to provide further background information and context to assist the Committee in its duties. No Director was involved in discussions regarding the determination of their own remuneration.

Throughout the year, the Committee has appointed and been advised by Deloitte LLP, which is a signatory to the Remuneration Consultants Group's Code of Conduct for the provision of independent remuneration advice. The Remuneration Committee is satisfied that the advice it has received was objective and independent. The fees payable to Deloitte for this advice were £82,000 plus VAT. Other services provided to Hargreaves Lansdown by Deloitte LLP during the year consisted of risk advisory, financial advisory, tax, HR consulting and operation design services.

Implementation of the Remuneration Policy in 2019 – Executive Directors

Salary

The Executive Directors' base salaries were reviewed in June 2018. In reviewing base salaries the Committee takes into account salaries paid elsewhere across the Group, relevant market data and information on remuneration practices in peer companies in the financial services sector. Based on this information, the Committee agreed to award a 2% increase to the Executive Directors in line with the standard approach taken for base salary increases across the organisation.

Name of Director	Salary as at 1 July 2018 (£)	Salary as at 1 July 2017 (£)	% increase
Chris Hill	612,000	600,000	2%
Philip Johnson	433,500	425,000	2%

Annual bonus

For 2019, awards will be subject to performance assessment against a combination of financial/growth measures, client service measures, strategic objectives and individual objectives, as well as personal performance assessed against individual objectives and behaviours in light of the Hargreaves Lansdown Values. Risk and compliance considerations will also be taken into account at both Company and individual levels.

The Company performance assessment will include the following measures:

Financial/growth	Client service	Strategic
• Net new business • Net new clients • Profit before tax	• Client retention • Client satisfaction • Net promoter score	• Developing client service • Developing capabilities • Maintaining the business

The targets set in relation to these measures are considered to be commercially sensitive, but will be disclosed in next year's report.

In making an assessment of performance, the Committee will give due consideration to market movements, investor sentiment, interest rates and the impact of regulation, all of which are beyond the control of the Executive Directors. They will also consider the extent to which management has operated within the agreed risk parameters and the extent to which the bonus outcome reflects the overall performance of the business in the context of the shareholder experience. Details of the Committee's assessment will be given in the remuneration report next year.

Individual performance will be assessed against the following objectives:

Individual objectives for Chris Hill	Individual objectives for Philip Johnson
• Maintain and develop relationships with key stakeholders • Develop the organisation and its risk culture to execute the strategy to the benefit of all stakeholders • Evolve the client service strategy • Maintain client satisfaction in the context of the accelerating digital landscape	• Provide financial leadership in determining strategic direction • Deliver financial results in a risk controlled environment • Communicate the strategy to investors • Balance capabilities, talent, costs and service levels to fulfil functional core responsibilities efficiently • Improve strategic and financial delivery

In line with the existing Remuneration Policy, the following on-target and maximum bonus opportunities will apply, which are the same as for 2018:

	On-target bonus opportunity (% of base salary)	Maximum bonus opportunity (% of base salary)
Chris Hill	225%	350%
Phillip Johnson	156%	350%

The total value of bonuses paid to members of the Executive Committee, which includes the Executive Directors, in any performance year will remain capped at 5% of profit before tax. In line with the approved policy, 60% of the bonus awarded to each Executive Director will be payable in cash following the end of the financial year and 40% of the bonus will be deferred into nil cost options over a period of three years, subject to continued employment.

Dividend alternatives will accrue on the deferred share element of bonuses and will be paid at the time of vesting. Any unvested deferred awards are subject to a formal malus mechanism. Non-deferred bonus awards are subject to clawback for three years from the date of award. For further details of the relevant malus/clawback triggers, please see page 83 .

Sustained Performance Plan (SPP)

Each Executive Director will receive an award of nil-cost options with a face value of 50% of base salary, subject to satisfactory personal performance in the period prior to grant.

Awards will vest after five years, subject to the achievement of the underpinning performance conditions.

Under the Sustained Performance Plan these underpinning performance conditions will be:

- A requirement for average AUA for the last complete financial year prior to vesting to be above the average AUA for the last complete financial year prior to award;
- Maintenance of a satisfactory risk, compliance and internal control environment across the plan period; and
- Satisfactory personal performance throughout the plan period.

The Board will review performance against these underpinning conditions in the round, taking into account market movements, the external business environment and any significant changes in regulation in assessing the extent to which awards should vest.

Dividend equivalents will be paid on nil-cost options at the end of the vesting period in line with our Remuneration Policy.

Any unvested awards will be subject to a formal malus mechanism. For further details of the relevant malus triggers, please see page 83.

Executive Director remuneration for 2018

Remuneration payable for the 2018 financial year (1 July 2017 to 30 June 2018) (Audited)

The remuneration received by Executive Directors in relation to performance in 2018 is set out below:

Name of Director	Year	Gross Basic salary £'000	Other cash benefits[3] £'000	Cash bonus £'000	Deferred element of bonus - shares £'000	Gain on historic options vesting £'000	Pension £'000	Totals £'000
Chris Hill[1]	2018	600	23	1,020	680	164	11	2,498
	2017	503	5	825	550	344	6	2,233
Philip Johnson[2]	2018	425	20	598	399	-	-	1,442
	2017	99	4	145	97	-	-	345

1 Chris Hill's remuneration for 2017 reflects his role as Chief Financial Officer and Deputy Chief Executive until 8 February 2017 and as Chief Executive Officer from 9 February 2017.
2 Philip Johnson's remuneration for 2017 relates to the period from his appointment to the Board on 7 April 2017.
3 Directors have received payment in lieu of pension contribution in the year. These amounts are shown gross before any deductions.

Under 'Gain on historic options vesting' , the amounts shown are a best estimate of amounts to be paid in respect of performance periods concluding as at 30 June 2018. Other than SAYE options (which are available to Directors on the same basis as all employees), and the awards made to Chris Hill on joining, no share options without performance criteria have been granted to Executive Directors since 7 March 2012.

Benefits in kind are available to all employees on the same basis. For 2018, benefits include Life Cover, Income Protection, Private Medical Insurance, Save As You Earn (SAYE) scheme, 5% of base salary for employer pension contributions, reduced platform fees for holding assets in HL and reduced dealing charges for self and connected persons and access to a range of voluntary benefits such as Childcare Vouchers and Critical Illness.

No Director has a prospective entitlement to a defined benefit pension by reference to their length of qualifying service.

Annual bonuses for the 2018 financial year (1 July 2017 to 30 June 2018) (Audited)

The value of bonuses payable to Executive Directors was determined by the Committee based on:

- An assessment of the performance of the Group against a number of financial/growth, client service and strategic measures, detailed below, and
- Each individual's performance, including progress against the specific objectives set for them as well as an assessment of their performance against the Company's values, risk management and compliance.

There were no specific weightings assigned to specific metrics, and the determination was undertaken, taking all factors into account and using all relevant information. For each Executive Director, their overall bonus was determined by reference to the following target and maximum levels, as disclosed in the 2017 annual report and accounts:

	On-target bonus opportunity for 2018 (% of base salary)	Maximum bonus opportunity (% of base salary)
Chris Hill	225% reduced from 235% 2017	350% reduced from 400% in 2017
Philip Johnson	156% reduced from 206% in 2017	350% reduced from 400% in 2017

The total value of bonuses payable to both Executive Directors and other members of the Executive Committee is subject to a cap of 5% of profit before tax, in line with the Policy.

Group performance has been considered in relation to the following measures:

Financial/growth	Client service	Strategic
• Net new business	• Client retention	• Developing client service
• Net new clients	• Client satisfaction measure	• Developing capabilities
• Profit before tax	• Net promoter score	• Maintaining the business

Details of performance in each of these areas is set out below:

Growth measures

	Operating plan target	Actual	Last year	Change	Commentary
Net new business	£6.905bn	£7.6bn	£6.905bn	+10%	Our net new business of £7.6bn reflected 10% growth year on year, and represented a new record for the organisation. This was considered to be a significant achievement when considered against a backdrop of weaker investor sentiment, particularly in the second half of the year. AUA also increased by 16% to £91.6bn. During the year, our share of the platform market increased from 37.8% to 39.1% and market share of retail stockbroking increased from 29.7% to 31.3%.
Net new clients	104,000	137,000	118,000	+16%	The Committee noted very strong growth in respect of net new client numbers, as 137,000 clients were welcomed during the year compared to 118,000 last year.
Profit before tax	£286.7m	£292.4m	£265.8m	+10%	The Committee reviewed very strong performance in delivering double digit sustainable earnings growth, taking into account market consensus at the beginning of the year as well as current market conditions and the overall 5% increase in the FTSE All Share index over the period.

Summary: Excellent performance

The Committee recognised that the Group has delivered an outstanding year of financial results with double digit growth in all of the above areas, and a new record of net new business.

Client service

	Actual	Last year	Change	Commentary
Client retention	94.3%	94.7%	(0.4%)	The Committee noted that client retention has been broadly stable over the prior year. This is considered to be a strong result, given that the Company has also welcomed a net 137,000 new clients at the same time.
Client service measure	239	272	(12%)	The client service measure consists of a combination of net promoter scores across each of the three key product areas: SIPP, ISA and Fund Share Account and client retention rate. A score of 239 is lower than the high score of 272 achieved last year, but remains higher than our internally defined threshold score of 215.
Net promoter score	50.3%	60.5%	(17%)	As part of its overall assessment of client service, the Committee reviewed the NPS level, which declined from 60.5% to 50.3%. The review also considered a range of other customer metrics and factors, including the nature and number of complaints, the significant increase in processing demands driven by business growth and the scalability and performance of technology. The Committee also noted that, despite the significant increase in the volume of business during the year, there were fewer errors and a reduction in complaints per transaction.

Summary: on target performance

The Committee concluded that on balance client service was considered to be "on-target". Despite the decline in the NPS, client retention has been stable in the context of a further 137,000 new clients. In addition, there was a positive trend in the reduction in complaints per transaction.

Strategic delivery

The Committee reviewed projects that had been delivered during the year against the strategic plan, grouped as follows:

Developing our client service	Developing our capabilities	Maintaining the business
Successful launch of Active Savings, Simply Invest.	Development and delivery of a significant number of key milestone projects, e.g. acceleration of technological change to enhance client experience and proposition, enhancements in marketing capabilities, and progress on the people agenda	Delivery of a number of important regulatory change projects including GDPR and MiFID II. Enhancements to systems and controls Progress on Client Protection Programme.

In its assessment, the Committee considered the successful delivery of a number of key strategic initiatives during the course of the year. Simply Invest and Active Savings were successfully launched during the financial year, both of which are designed to create better solutions for clients. The Committee also considered the progress made in further developing the capabilities of our people, technology and marketing. This includes the opening of HL Tech in Warsaw to accelerate technology change to enhance our client experience and proposition, as well as a number of key people initiatives on the development of culture, skills and expertise, and the further development of marketing capabilities to increase our digital footprint.

The Committee also recognised the successful delivery of a number of complex projects to maintain and safeguard the business, including important regulatory change projects such as GDPR and MiFID II, further enhancements to the systems and controls in relation to our holding of client money and custody assets, as well as progress on our Client Protection Programme. While these projects are not directly client facing, they are fundamental to maintaining a robust and scalable business and supporting future growth in business volumes.

Summary: very strong performance

Overall, the Committee recognised the significant level of delivery of key strategic projects during the year, through the launch of Active Savings and Simply Invest, the accelerated development of our technological and marketing capabilities, delivery of a significant number of regulatory change projects, and initiatives focused on maintaining business, resilience and scalability through enhanced client protection and internal controls.

Individual performance

The Committee assessed each individual Director's performance during the financial year, including against their personal objectives, as follows:

Chris Hill

Objective	Committee's assessment
Communicate the strategy to stakeholders	Overall a very strong performance in articulating the strategic narrative to relevant stakeholders, with a significant increase in investor relations activity during the year with a clearly articulated equity story and clarification on the dividend policy. Continued focus on regulatory communications.
Establish operating framework to deliver the strategy	This has been achieved with a wider scope than originally envisaged, contributing to the key strategic achievements as outlined above.
Deliver year 1 of the strategic plan in a risk controlled environment	Excellent financial performance as highlighted above, while at the same time executing key improvements in a risk controlled environment.
Maintain client satisfaction	The Committee considered that client retention levels remained high with a reduction in complaints per transaction, but noted the downward trend in the NPS score this year.
Support handover to new Chair and ensure smooth induction of new Non-Executive Directors within the business	Strong performance displayed in this area with a significant level of change within a short space of time.
Summary: very strong performance	
The Committee concluded that the key business achievements this year has been the result of a very strong performance from our leadership team, and that Chris Hill's individual contribution to this has been significant. It noted his very strong performance in the delivery of his personal objectives across a number of different areas, as outlined above, as well as in respect of our values, risk and compliance.	

Philip Johnson

Objective	Committee's assessment
Deliver success in the HL Group's financial metrics	Excellent Group financial performance, as outlined above.
Design and implement a plan to make sustainable development to Operations function	Significant improvement in standards, controls, leadership and efficiencies within the Operations function.
Develop finance, company secretarial and investor relations capabilities	Strong performance, with tangible improvements in all of these areas displayed during the year. Significant increase in investor relations activity during the year with a clearly articulated equity story.
Optimise the balance sheet	Significant improvement in capital and liquidity management, enabling the Company to move forward with a clarified dividend policy.
Build effective partnership with the CEO	Excellent working relationship developed with Chris Hill
Become authorised as a CF10a – (named individual for client assets)	Achieved with significant improvements to client asset controls following appointment.

Summary: very strong performance

The Committee determined that Philip Johnson has made a significant contribution to the business during his first full year as CFO. In particular, they noted the very strong level of achievement against his personal objectives, as outlined above, as well as in respect of our values, risk and compliance.

Summary of overall assessment and bonuses awarded

The Committee considered all of the above evidence in making their bonus determination for Chris Hill and Philip Johnson for the 2018 financial year.

In addition, it also considered the extent to which performance (both Group and individual) has been achieved within the agreed risk parameters, based on an assessment from the Chief Risk Officer, and the extent to which the bonus outcome reflects the overall performance of the business in the context of the shareholder experience.

The Committee concluded that the bonus outcomes for Chris Hill and Philip Johnson should reflect the very strong levels of Company performance during the year, as well as the high levels of leadership shown by both during the financial year, including their performance against individual objectives and Company values.

The resulting bonuses for the year ending 30 June 2018 were:

	Cash £'000	Deferred £'000	Total £'000	% of maximum
Chris Hill	1,020	680	1,700	81
Philip Johnson	598	399	997	67

Deferral of annual performance bonuses

40% of the annual performance bonuses will be deferred for three years into nil-cost options. Dividend alternatives will accrue on the deferred shares element of bonuses and will be paid at the time of vesting. The right to exercise deferred awards will vest after three years provided the individual remains employed by the Group.

Malus and clawback
60% of the bonus paid upfront is subject to clawback until three years from the date of payment. Unvested deferred nil-cost options will be subject to a formal malus mechanism.

As highlighted in the Chair's annual statement on page 70, the Committee reviewed the malus and clawback triggers for the Company's share plans in August 2018 in light of regulatory best practice. As a result, the triggers across both share plans operated for the Director population (the Deferred Bonus Plan and the Sustained Performance Plan) have been harmonised and the following triggers will apply to all awards going forward, including the 2018 deferred bonus awards:

- A material misstatement of the financial results of any Group Company;
- A material failure of risk management in any Group Company or a relevant business unit;
- Serious reputational damage to any Group Company or a relevant business unit attributable to the conduct of, or an act of omission by, the Award Holder or an Employee for which the Award Holder is or was responsible;
- A failure by the participant to identify any serious risks relating to any Group Company;
- A failure by the participant to implement appropriate controls for any serious risks relating to any Group Company; and
- An error in the calculation of the Award Holder's performance bonus in respect of which the award was made.

Prior year comparison
For additional information, the history of the performance measures and the total value of Executive Committee bonuses for the last five years is:

Measure	2018	2017	2016	2015	2014
Profit before tax	**£292.4m**	£265.8m	£218.9m	£199.0m	£209.8m
Net new business	**£7.6bn**	£6.9bn	£6.0bn	£6.1bn	£6.4bn
Net new clients	**137,000**	118,000	100,000	84,000	144,000
Net operating margin (on net revenue)	**65.0%**	67.7%	66.8%	67.3%	71.3%
Client service measure	**239**	272	249	240	216
Total value of Executive Committee bonuses as % of PBT	**1.97%**	1.93%	1.83%	1.78%	2.42%

Vesting of long-term incentive awards for the financial year ending 30 June 2018 (audited)

The performance period for the LTIP awards granted in 2015 came to an end on 30 June 2018. The LTIP targets set at the time of grant and the outcomes achieved against them are detailed below

Target	Weighting of each condition	Minimum	Maximum	Performance	Achievement
EPS[1]	33%	42.7p	51.2p	43.9 p	36%
Net new business	33%	£20.6bn	£26.5bn	£20.6bn	0%
Client service measure	33%	215	265	253	82%

1 For earnings per share, the target is based on average undiluted Basic EPS for each financial year in the performance period.

At the time of grant Chris Hill received an award of 50,000 options of which 19,680 will vest.

The options had scaled vesting dependent on performance against the targets set. The vesting schedule was set such that provided the threshold was achieved, 25% of that part of the Option relating to that performance condition would vest, rising to vesting in full if the maximum target was met or exceeded. For performance between the minimum and maximum targets, vesting is pro-rated on a straight line basis between 25% and 100%.

Share awards made during the year ending 30 June 2018 (audited)

Following the shareholder approval of the Sustained Performance Plan at our 2017 AGM, the first awards were granted to Executive Directors under the plan.

Name of director	Type of award	Market value of maximum award at date of grant (£)	Exercise price (£)	Share price on day of grant (£)	Number of shares over which the award was granted	Face value of award[1] (£)	Fair value at date of grant[2] (£)	% of face value that would vest at threshold	Performance/ vesting period
Chris Hill	SPP[3]	299,995	Nil cost option	15.825	18,957	299,995	299,995	n/a	1 July 2017 to 30 June 2022
Chris Hill	Deferred Bonus	560,339	1.00[4]	13.27	42,226	560,339	560,338	n/a	1 July 2017 to 30 June 2020
Philip Johnson	SPP[3]	212,498	Nil cost option	15.825	13,428	212,498	212,498	n/a	1 July 2017 to 30 June 2022
Philip Johnson	Deferred Bonus	152,817	1.00[4]	13.27	11,516	152,817	152,816	n/a	1 July 2017 to 30 June 2020

1 Face value is calculated as the share price at the date of grant multiplied by the number of options granted.
2 Fair value is calculated as the difference between market value and the exercise price at the date of grant.
3 Awards under the SPP were granted subject to the achievement of underpinning performance conditions and will vest over five years. The underpinning performance conditions for these awards are the same as for the 2019 awards outlined on page 78.
4 The aggregate exercise price for awards under the deferred bonus scheme is £1 and were granted on 22 August 2017.

All-employee share plans

The Company operates a SAYE share option scheme and share incentive plan (SIP) on the same terms for all employees. All employees are encouraged to become shareholders, both through direct ownership or through participation in share schemes. At the end of the latest financial year, 21% of HL employees own shares in the Company.

Sourcing shares

The Investment Association guidelines on sourcing shares have been followed and, in line with the scheme rules, the Company has not issued shares under all employee schemes which, when aggregated with awards under all of the Company's other schemes, exceed 10% of the issued ordinary share capital in any rolling 10 year period. The Company has also not issued new shares under executive (discretionary) schemes which exceed 5% of the issued ordinary share capital of the Company in any rolling 10 year period.

Executive Directors' shareholding and share interests (audited)

The guideline for Executive Directors to accumulate minimum personal holdings in Hargreaves Lansdown plc shares amounts to a value of three times base salary within six years of appointment to the Board.

Current shareholdings are summarised in the following table:

Name of director	Beneficially owned at 30 June 2017	Beneficially owned at 30 June 2018	Outstanding subject to continued employment	Outstanding subject to continued employment arising from deferred bonus	Outstanding subject to continued employement arising from sustained performance plan	Outstanding LTIP awards with performance conditions	No of share options vested but unexercised at 30 June 2018	No of share option exercised in the year	Share-holding guideline (multiple of base salary)	Share-holding as a multiple of base salary achieved at 30 June 2018
Chris Hill[2]	14,363	20,419	1,750	51,276	18,957	50,000	-	12,200	Three times	67%[1]
Philip Johnson[3]	30,612	30,612	1,702	11,516	13,428	-	-	-	Three times	142%[1]

1 The shareholding as a percentage of salary is based on the closing share price as at 29 June 2018 of £19.7152.

2 Chris Hill was appointed as the CFO in February 2016, before being appointed as Deputy CEO in October 2016 and CEO in February 2017. This is his first full year of service in his current role.

3 Philip Johnson was appointed as the CFO in April 2017. This is his first full year of service following appointment.

Pension

No Directors or employees participate in a defined benefit pension scheme.

The Group operates its own Group Self Invested Personal Pension (the "GSIPP") which applies to Directors and staff. The Company requires a minimum employee contribution of 5% of reference salary and in exchange the Company will contribute 5%. Employees are able to contribute up to 3% more than the 5% on a double matching basis. This means that the for an 8% employee contribution the Company contribution can be up to 11%.

Employees wishing to make personal contributions to the GSIPP can do so via 'salary exchange' or 'bonus waiver' ensuring that they benefit from the maximum, immediate relief from income tax and National Insurance. Staff, Senior Management and Executive Directors may opt out of the scheme should they wish. Where an individual has reduced the level of their contribution to the GSIPP due to exceeding, or being due to exceed, the Lifetime Allowance or Annual Contribution, or has opted out where they have elected to protect their Lifetime Allowance, the Group will make an additional monthly payment equivalent to the employer's pension contribution amount forsaken up to a maximum of 5% of reference salary. The Committee confirms that no excess retirement benefits have been paid to current or past Directors.

Payments to third parties

The Committee confirms that no amounts have been paid to third parties in respect of Directors' services.

Payments to past Directors (audited)

The Committee confirms that no payments have been made to past Directors during the year other than:

- Ian Gorham exercised 21,809 deferred bonus shares on 3 October 2017 when the share price was £14.79; and
- Tracey Taylor exercised 22,025 shares relating to the 2013 LTIP on 16 May 2018 when the share price was £19.645.

Payments for loss of office (audited)

The Committee confirms that no payments have been made for loss of office during the year.

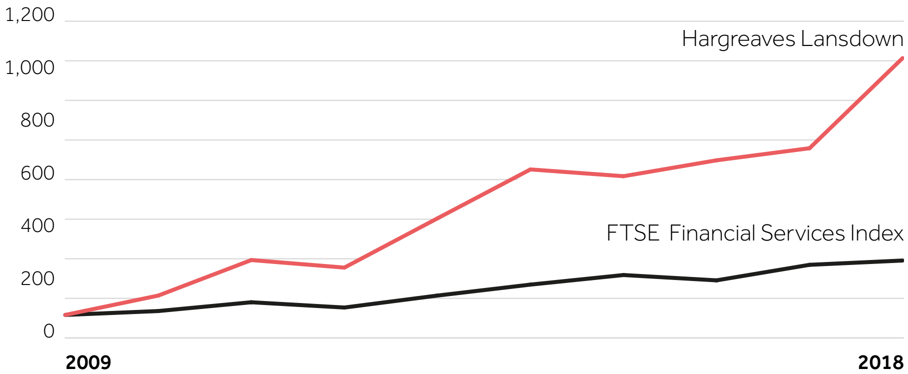
ANNUAL REPORT ON REMUNERATION CONTINUED

Remuneration in context

Total shareholder return

The following graph shows the Company's performance measured by total shareholder return (TSR), which is the capital growth and dividends paid. This is compared with the performance of the FTSE 350 Financial Services Index for the last nine years.

This chart shows the value of £100 invested in the Company on 1 July 2009 compared with the value of £100 invested in the FTSE 350 Financial Services Index for each of our financial year ends to 30 June 2018. We have chosen the FTSE 350 Financial Services Index as we believe it is the most appropriate comparator for benchmarking our corporate performance over the nine year period.



Chief Executive Officer remuneration for the past nine years

The table below shows details of the Chief Executive Officer's remuneration for the previous nine years.

	CEO	Total remuneration	Annual bonus as a percentage of maximum	Shares vesting as a percentage of maximum[6]
2010	Peter Hargreaves	£405,917	nil	nil
2011	Peter Hargreaves[1]/ Ian Gorham[2]	£85,123/£1,034,167	(£73,333)[5]/(£666,667)[5]	nil/nil
2012	Ian Gorham	£1,640,895	(£1,250,000)[5]	nil
2013	Ian Gorham	£6,751,557	(£1,500,000)[5]	100%
2014	Ian Gorham	£10,608,359	60% (£1,350,000)	100%
2015	Ian Gorham	£2,058,642	52% (£1,170,000)	nil
2016	Ian Gorham	£2,070,861	78% (£1,550,000)	nil
2017	Ian Gorham[3] / Chris Hill[4]	£1,167,549/£1,035,211	43%/81% (£600,000/£790,625)	66%
2018	Chris Hill	£2,497,883	81% (£1,700,000)	100%

1 Emoluments for Peter Hargreaves for 2011 are shown for the two months prior to date of his resignation from the role as Chief Executive Officer.
2 Emoluments for Ian Gorham for 2011 are shown for the ten months following his appointment to the Board as a Director.
3 Emoluments for Ian Gorham for 2017 are shown for the period to 9 February 2017 when he stepped down as Chief Executive Officer.
4 Emoluments for Chris Hill for 2017 reflect his emoluments for the period from 9 February 2017, and exclude his earnings as Chief Financial Officer and Deputy CEO prior to that date.
5 Prior to 2014, there was no individual cap on annual bonus payable, other than the overall bonus pool cap as a percentage of profit before tax. Bonus figures shown are gross of any sacrifice into pension and before any compulsory deferral.
6 Options vesting in 2014 and 2013 pre-dated the LTIP and therefore had no performance criteria.

Percentage change in Chief Executive Officer's remuneration

The table below shows the percentage change in remuneration of the Director undertaking the role of Chief Executive Officer and the Company's employees as a whole between the year ended 30 June 2017 and the year ended 30 June 2018.

	Base salary	Annual bonus
Chief Executive Officer % change	0%	23.6%
Employee % change[2]	(2.6%)[1]	(8.1%)

1 This is the percentage difference in pay for eligible staff from June 2017 and June 2018 when the pay awards were implemented.
2 This table shows the change in average salary and bonus delivered to eligible employees between 2017 and 2018. These averages decreased due to our headcount growth during the year being more weighted to client-facing and administrative roles.

Benefits are provided on the same terms to Directors and all staff alike and as such are not included within the table above.

Relative importance of the spend on remuneration

The table below shows the actual expenditure of the Group in terms of total employee remuneration, profit before tax, and total dividends for this and the previous year. Profit before tax has been chosen as a metric in this instance to demonstrate the profits generated for shareholders and the relationship between this and the overall cost of employee remuneration. To aid comparison we have also detailed the percentage change between the years.

	Total dividend paid £m	Profit before tax £m	Staff costs £m	Total dividend declared (pence per share)
2018	144.5	292.4	87.4	40.0p
2017	164.5	265.8	68.6	29.0p
% change	-12%	+10%	+27%	+38%

External directorships of Executive Directors in the year

None of the Executive Directors have held any external directorships during the year.

Remuneration Policy for other employees

All employees across the Group are subject to the same process in respect of annual salary reviews. Consideration is given to the scope of each role, the level of experience, responsibility, progress in role, and pay levels for similar roles in comparable companies.
The performance and potential of the individual is also considered.

All permanent employees are considered for an annual performance bonus, or equivalent , with similar metrics to those used for the Executive Directors. All eligible employees (under the rules of the scheme) may also participate in the Group's Save As You Earn.

ANNUAL REPORT ON REMUNERATION CONTINUED

Chair and Non-Executive Director remuneration

Fees for Non-Executive Directors are structured with a base fee payable to all Non-Executive Directors, with additional fees paid for the role of Senior Independent Director and for the chairs and members of Board sub-committees.

Fees for Non-Executive Directors for the 2019 financial year are as follows:

Fee policy

	Fees from 1 July 2018 (£ p.a.)	Fees from 1 July 2017 (£ p.a.)
Chair[1]	**325,000**	250,000
Base fee for Non-Executives	**52,500**	52,500
Senior Independent Director	**15,000**	12,500
Chair of Audit Committee	**25,000**	25,000
Chair of Remuneration Committee	**12,500**	12,500
Chair of Investment Committee	**10,000**	10,000
Chair of Risk Committee	**12,500**	10,000
Chair of Nomination Committee[2]	**10,000**	10,000
Member of Audit/Remuneration/Investment/Risk/Nomination Committee	**2,500**	2,500

1 Deanna Oppenheimer was appointed on an annual fee of £325,000 p.a. This level of fee was set to reflect her level of experience and is closer to market levels than the previous incumbent.
2 Under current arrangements the Chair fulfils this role for no additional fee.

Remuneration payable for the 2018 financial year (1 July 2017 to 30 June 2018) (audited)

The remuneration received by Non-Executive Directors in 2018 is set out below.

Non-Executive Directors and Chair	**2018 fees (£)**	2017 fees (£)
Deanna Oppenheimer, Chair	**131,992**	-
Stephen Robertson	**65,000**	65,000
Shirley Garrood	**83,463**	85,000
Jayne Styles	**70,000**	70,000
Fiona Clutterbuck	**57,083**	-
Roger Perkin	**61,250**	-
Mike Evans, ex-Chair	**150,623**	250,000
Christopher Barling	**51,212**	85,000

Non-Executive Directors received no other benefits or other remuneration other than reimbursement of all reasonable and properly documented travel, hotel and other incidental expenses incurred in the performance of their duties and any tax and social costs arising thereon, the benefit of officers' liability insurance and reduced fees for the use of Hargreaves Lansdown services for themselves and connected persons, on the same basis as all other Hargreaves Lansdown staff.

The table below shows, as at 30 June 2018, the Company shares held by the current Non-Executive Directors:

Non-Executive Director	Shares
Deanna Oppenheimer, Chair	10,000
Stephen Robertson	9,890
Shirley Garrood	nil
Jayne Styles	nil
Roger Perkin	nil
Fiona Clutterbuck	2,197

Statement of voting at the AGM

At the AGM held in 2017, votes cast by proxy and at the meeting in respect of the Directors' remuneration report and Remuneration Policy were as follows:

Resolution	Votes for including discretionary votes	% for	Votes against	% against	Total votes cast excluding votes withheld	Votes withheld	Total votes cast including votes withheld
Approve Directors Report on Remuneration	390,424,967	96.57%	13,885,047	3.43%	404,310,014	20,551	404,330,565
Approve Directors Remuneration Policy	397,269,387	98.69%	5,289,288	1.31%	402,558,675	1,771,890	494,330,565

Fiona Clutterbuck
Chair of the Remuneration Committee

6 August 2018

NOMINATION COMMITTEE REPORT

Dear Shareholder

Having assumed the role of Chair of the Board and the Nomination Committee on 7 February 2018, I am pleased to present my first report. I would like to thank my predecessor, Mike Evans for his leadership of the Board over the past nine years and for his support in my recruitment following on from his decision in May last year to step down from the Board. I would also like to thank Christopher Barling for his valuable contribution to the process and for his work as the Senior Independent Director (SID).

The Nomination Committee's main focus this year has been on succession planning and the composition of the Board and its Committees. The Chair, the SID and the Committee led rigorous processes in the year leading to my appointment and that of two new Independent Non-Executive Directors, Fiona Clutterbuck and Roger Perkin who joined the Board on 1 September 2017. There has also been a number of changes to the Chairmanship of the Committees in the year. On 1 January 2018, Shirley Garrood was appointed as Chair of the Risk Committee, succeeding Mike Evans who had stood down, Fiona Clutterbuck was appointed as Chair of the Remuneration Committee, succeeding Christopher Barling and Roger Perkin was appointed as Chair of the Audit Committee, succeeding Shirley Garrood who had stood down as a member and Chair of the Committee. Shirley Garrood was also appointed as the new SID, following on from Christopher Barling.

The Board considers that having the appropriate range of high calibre Directors is key to achieving the Group's strategic objectives and to providing appropriate oversight of regulatory matters and other risks facing the Group. Achieving the right balance of skills, knowledge, experience and diversity on the Board in the interests of enhancing the Board's capabilities to deal with the growth of the business and an ever changing regulatory environment in which it operates is of upmost importance.

The Board has carried out an externally facilitated Board evaluation and effectiveness review. The review covered a number of topics. The Board will be reviewing and implementing any actions required from the evaluation in due course over the coming year.

The Nomination Committee has also reviewed the leadership needs of the business and succession planning for Directors and other senior executives.

Further information on the activities of the Nomination Committee are provided in the following report.

Deanna Oppenheimer
Chair of the Nomination Committee

Role of the Nomination Committee

The Nomination Committee has overall responsibility for leading the process for new appointments to the Board and ensuring that these appointments bring the required skills and experience to the Board. As part of this, the Committee regularly reviews the structure, size and composition of the Board, with due regard to skills, knowledge, experience and diversity required. The Committee leads the process for Board appointments, re-election and succession of Directors and the Chair and is responsible for making recommendations to the Board concerning the composition and skills of the Board including proposed appointees to the Board and the membership of the Board Committees. The Committee's key responsibilities, as set out in the Terms of Reference are:

- Regularly assessing the structure, size, composition and diversity of the Board to ensure that it remains appropriate in terms of its ability to meet the demands and strategic objectives of the Group;
- Reviewing the time commitment expected of Non-Executive Directors and assessing their other commitments to ensure that they continue to enable them to fulfil their duties to the Group effectively;
- Reviewing the criteria, including the skills and capabilities, for identifying and nominating candidates for appointment to the Board and its Committees;

- Considering succession planning for Board Directors and senior management, taking into account the opportunities, challenges and future needs facing the Group;
- Evaluating annually the independence of Non-Executive Directors;
- Recommending the election and re-election of Board members at the Annual General Meeting (AGM); and
- Board and committee effectiveness.

The Terms of Reference for the Committee are available on the Group's website at www.hl.co.uk or can be obtained from the Company Secretary.

Membership and attendance

The membership of the Committee comprises of the Board Chair and all Independent Non-Executive Directors. Roger Perkin and Fiona Clutterbuck were appointed as members of the Committee on 1 September 2017. Mike Evans was the Committee Chair until he stepped down from the Board on 7 February 2018. Deanna Oppenheimer was appointed as his successor on 7 February 2018. Christopher Barling stepped down from the Board and the Committee on 7 February 2018.

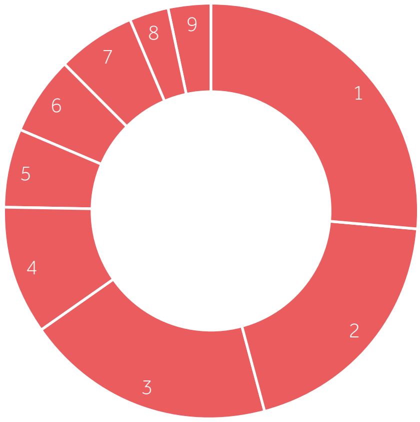
The Company Secretary acts as Secretary to the Committee. The Chief Executive Officer and the Chief People Officer attend by invitation as required. Other individuals attend at the request of the Nomination Committee Chair. Membership and attendance at Committee meetings through the year are set out in the table below.

Member	Position	Eligible meetings	Attended meetings
Mike Evans[1]	Chair	2	2
Deanna Oppenheimer[2]	Chair	1	1
Christopher Barling[3]	Non-Executive Director	2	2
Fiona Clutterbuck[4]	Non-Executive Director	1	1
Shirley Garrood	Non-Executive Director	3	3
Stephen Robertson	Non-Executive Director	3	3
Roger Perkin[4]	Non-Executive Director	1	1
Jayne Styles	Non-Executive Director	3	3

1 Mike Evans resigned as Chair on 7 February 2018.
2 Deanna Oppenheimer was appointed Chair on 7 February 2018.
3 Resigned on 7 February 2018.
4 Joined on 1 September 2017.

Overview of activities during the financial year

The chart below outlines how the committee has spent its time this year:



1.	Chair recruitment	26%
2.	Routine	19%
3.	Executive succession planning	19%
4.	NED recruitment	10%
5.	Effectiveness	7%
6.	Election and re-election of Directors	7%
7.	Other	6%
8.	Diversity	3%
9.	Report and Financial Statements	3%

During the year the Committee met three times. It also convened a sub-committee, led by the (SID), Christopher Barling, which met as necessary to focus on the appointment of a successor for the Chair. The Nomination Committee also considered the appointment of a new SID, following Christopher Barling's decision to step down from the Board on 7 February 2018 and two new Non-Executive Directors, including successor Chairs of the Board Committees. In discharging its duties the Committee engaged in the following activities during the year:

NOMINATION COMMITTEE REPORT CONTINUED

Leadership and succession planning

The Committee's main activity this year was leadership and succession planning leading to the appointment of a new Chair following the announcement by Mike Evans of his intention to step down from the Board on the appointment of a suitable successor. The Board had also previously stated its intention to recruit two new Non-Executive Directors. Details of the process for both the recruitment of the new Chair, Deanna Oppenheimer and two new Non-Executive Directors, Fiona Clutterbuck and Roger Perkin are set out below. The Committee reviewed succession planning for both Executive and Non-Executive Directors, taking into account the strategic objectives of the Group, its future needs and the level of diversity.

Appointment of new Non-Executive Directors

The process for the appointment of the two new Independent Non-Executive Directors was led by the Chair, Mike Evans. An independent executive search agency, Spencer Stuart Associated Limited were appointed in connection with the recruitment process. Selection criteria, taking into account the balance of skills, experience, knowledge, diversity and time commitments required for the appointments, was agreed and a list of candidates interviewed and shortlisted first by Spencer Stuart. Interviews were then carried out by Committee members and the Chief Executive Officer. Third stage interviews were carried out by members of the Executive Committee. After due consideration and following Financial Conduct Authority (FCA) approval of the suitable candidates, the Committee recommended and, the Board approved, the appointments of both Fiona Clutterbuck and Roger Perkin on 1 September 2017. A comprehensive and structured induction process has been provided.

Appointment of the Chair

Following notification by Mike Evans of his intention to step down from the Board last year, a process to recruit a new Chair commenced. The Committee appointed a sub-committee to oversee the process. The sub-committee was chaired by the SID, Christopher Barling, with input from the Chief Executive Officer who also attended the sub-committee which met twice in the year. An independent executive search agency, Zygos Partners were appointed in connection with the recruitment process. The criteria for the role was agreed by the Committee who were assisted by Zygos Partners in terms of formulating and agreeing key skills, experience, characteristics and the Group's requirements for the role. Zygos Partners then commenced an extensive search leading to a number of candidates being considered for interview. A shortlist of suitable candidates was agreed and formal interviews carried out by Committee members and the Chief Executive Officer. Suitable due diligence was also carried out by Zygos Partners. Following the conclusion of a rigorous process, the Nomination Committee recommended my appointment as Chair of the Group. Following receipt of regulatory approval from the FCA, the Board formally approved my appointment as Chair of the Board and the Committee on 7 February 2018.

A comprehensive and structured induction process has been provided and is still ongoing to ensure that, as Chair, I have a full understanding of the Group's business, its market environment, its people and its culture.

Appointment of the SID

Following the resignation of Christopher Barling as the SID of the Board, the Committee reviewed the skills and experience of the remaining Independent Non-Executive Directors and agreed that Shirley Garrood, having served on the Board as an Independent Non-Executive Director and Chair of the Audit Committee for a number of years, had the requisite skills required to be the SID. The Committee recommended her appointment as SID which was approved by the Board and commenced on 7 February 2018.

Committee chair appointments

The Committee, as part of the succession planning for the Board recommended a number of Chair changes during the year. As a result, on 1 January 2018, the Board approved the appointment of Fiona Clutterbuck as Chair of the Remuneration Committee and Roger Perkin as the Chair of the Audit Committee succeeding Shirley Garrood who stepped down as a member and as Chair of the Audit Committee. Shirley Garrood was appointed as Chair of the Risk Committee, also on 1 January 2018, succeeding Mike Evans who stepped down from the Committee.

Board, size, composition and time commitments

As part of the Board evaluation process, the Committee reviewed the size and composition of the Board, in particular the Independent Non-Executive Directors, to ensure that the balance of skills, experience and knowledge continued to be appropriate for the Group's business. The Committee also considered whether additional skills and experience would be needed to complement those already on the Board. As part of this process, the Committee has identified, in addition to the appointments already made during the year, the need for at least one new

Independent Non-Executive Director. Time commitments expected of the Chair and the Independent Non-Executive Directors were also reviewed and confirmed as appropriate.

Diversity

The Committee reviewed the Diversity Policy during the year. The Group is committed to improving diversity in its employees and whilst new appointments continue to be based on skill, experience and knowledge, careful consideration is given to diversity. The Committee, when searching for candidates for Board appointments takes into account a number of factors, including the benefits of diversity, including gender diversity, and the balance of the composition of the Board. The overriding requirement is to ensure that recommendations for appointments are made on merit against objective criteria, and that the best candidates are put forward for Board appointments. As at 30 June 2018, the Board numbered eight in total and I am pleased to confirm that female Directors constitute 50% of Board membership. The Board is committed to ensuring it maintains a diverse workforce at all levels across the Group. A copy of our full statement on Board Diversity can be found at www.hl.co.uk.

Election and re-election of Directors

The Committee is satisfied that the Board continues to be effective and has recommended that each of the Directors should stand for election in the case of new Directors appointed in the year and re-election in the case of existing of all other Directors (in accordance with provision B.7.1 of the Code) at the 2018 Annual General Meeting.

Effectiveness

The Board has carried out an externally facilitated Board evaluation and effectiveness review. The review has covered a number of topics. The Committee will be assisting the Board in reviewing and implementing any actions required from the evaluation in due course over the coming year.

Signed on behalf of
the Nomination Committee.

Deanna Oppenheimer
Chair of the Nomination Committee

6 August 2018

RISK COMMITTEE REPORT

Dear Shareholder

On behalf of the Risk Committee I am please to present the Risk Committee's report, my first as Chair since taking on the role on 1 January 2018.

The Committee reviews the Group's risk environment and the adequacy and effectiveness of the risk framework and systems and processes ('infrastructure') to ensure it can sustain our growth and business objectives within our risk appetite whilst maintaining our market competitiveness.

Over the period, the Committee has had a number of challenging and valuable discussions with respect to key and emerging risks and the risk profile of the Group. It has reviewed and approved the Group's risk appetite statements and overseen and monitored the development of the risk infrastructure.

In addition the Committee has provided input and oversight across a wide range of issues with particular focus on conduct risk, improvements to our client protection and cyber control environment and enhancement to the risk management framework. Consideration has also been given to regulatory communications and the gender pay gap.

The Committee also approved and recommended the Hargreaves Lansdown Internal Capital Adequacy Assessment Process (ICAAP) for Board approval on 1 February 2018.

I will be available at the AGM to answer any questions about the work of the Committee.

Shirley Garrood
Chair of the Risk Committee

Role of the Risk Committee

The Risk Committee has responsibility for advising the Board on the Group's overall risk appetite and strategy. The Committee reviews the Group's risk assessment processes and methodology and its capability for identifying and managing new risks, alongside advising on proposed transactions and reviewing reports on material breaches of risk limits. The Committee is also responsible for monitoring and reviewing the effectiveness of the risk function and the capital adequacy requirements of the Group on an ongoing basis. The responsibilities of the Committee are set out in its Terms of Reference, which are designed to assist the Board in discharging its responsibilities and include:

- Advising the Board on the Group's overall risk appetite, tolerance and strategy, taking into account the current and prospective macroeconomic and financial environment;
- Overseeing and advising the Board on the current risk exposures of the Group and future risk strategy;
- Advising the Board on the amount of surplus regulatory capital that should be held commensurate with the Group's risk profile and regulatory obligations;
- Oversight and delivery of the end to end ICAAP process including: debating and challenging the Pillar 2 scenarios for the ICAAP, consideration and recommendation of stress tests to be analysed in the ICAAP, agreeing appropriate management actions to enhance the ICAAP process, reviewing and recommending to the Board the Group's ICAAP and wind down documents and capital requirement;
- Overseeing the effectiveness of the risk management procedures, including: anti-money laundering (AML), data protection, fraud, IT security, cyber risk, AIFMD and the principal risks and uncertainties relating to the Group and the steps being taken to mitigate them;
- Seeking to identify and assess future potential risks which, by virtue of their unfamiliarity, uncertainty and deemed low probability may not have been factored adequately into review elsewhere within the Group;
- Continuously monitoring the adequacy and effectiveness of the Group's risk management infrastructure; and
- Recommending to the Remuneration Committee whether adjustments to the Executive Directors remuneration are required taking into account the effectiveness of risk management during the period.

The Terms of Reference for the Committee are available on the Group's website at www.hl.co.uk or can be obtained from the Company Secretary.

After each meeting the Committee reports its findings to the Board, identifies matters for which action or improvement is needed, and recommends appropriate steps. However, the Board retains ultimate responsibility for the Group's risk management, risk strategy and determining an appropriate risk appetite.

Committee Membership

The Risk Committee meets at least four times each year. The attendance by each Director is set out in the table below. Mike Evans was the Risk Committee Chair until he stepped down as Chair on 1 January 2018. Roger Perkin and Fiona Clutterbuck were appointed as members of the Committee on 1 September 2017. Shirley Garrood succeeded Mike Evans as Risk Committee Chair on 1 January 2018. Stephen Robertson and Jayne Styles each served on the Risk Committee throughout the year. Christopher Barling stepped down from the Board and the Committee on 7 February 2018.

The table below sets out individual meeting attendance during the year:

Member	Position	Eligible meetings	Attended meetings
Shirley Garrood[1]	Chair	5	5
Mike Evans[2]	Chair	3	3
Christopher Barling[3]	Non-Executive Director	3	3
Fiona Clutterbuck[4]	Non-Executive Director	4	3
Roger Perkin[4]	Non-Executive Director	4	4
Stephen Robertson	Non-Executive Director	5	5
Jayne Styles	Non-Executive Director	5	5

1 Chair from 1 January 2018.
2 Chair to 1 January 2018.
3 Stepped down from the Board on 7 February 2018.
4 Joined as a member on 1 September 2017.

The Company Secretary acts as secretary to the Risk Committee. Other individuals attend at the request of the Risk Committee Chair and during the year the Chair, Chief Executive Officer, Chief Financial Officer, Chief Risk Officer (CRO) and Head of Internal Audit attended meetings to report to the Risk Committee and provide clarification and explanations where appropriate.

During the year the Committee considered the following:

Topic	August	October	February	April	June
CRO report	●	●	●	●	●
Risk Management Framework		●			●
Risk appetite		●		●	●
ICAAP	●	●	●	●	●
Conduct risk and culture	●		●	●	●
Fraud and cyber risk			●	●	●
Operational risk		●	●	●	
IT projects					●
Internal controls and risk management function					●
Remuneration					●
AML/MLRO reports		●		●	

Main activities during the year

In discharging its responsibilities the Committee concentrated on the following areas:

Risk reporting and risk profile

The Committee received reports from the CRO at each Committee meeting as well as reports from other areas of the business on request. Regular topics of discussion have included conduct risk and our conduct risk policy - risk appetite and associated conduct risk key risk indicators, escalations, reports with associated learnings and risk dashboards. The Committee has challenged the business where trends and data suggest further action is required. The Committee believes the management of the risk profile is given sufficient consideration and that necessary action has been taken with appropriate governance and oversight.

Emerging risks

Emerging risks have been an agenda item at each Committee meeting during the period. Papers have been submitted by the Executive Risk Committee covering a variety of emerging risks. These matters have been discussed and challenged and the Committee has provided considered guidance on a variety of external emerging risks. Topics which have been discussed by the Committee include a number of Dear CEO letters from our regulator, Bitcoin, complex products and the gender pay gap.

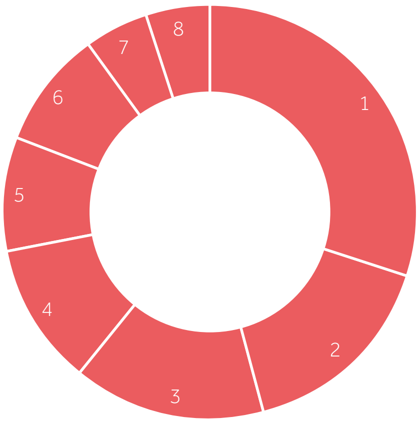
RISK COMMITTEE REPORT CONTINUED

Fraud and cyber risk

The Committee is well aware of the industry exposure to both fraud and cyber risk, and this is reflected in the frequency with which they are discussed at the Committee. During the period, the Committee has received regular updates from the Head of Client Protection focused on enhancing existing controls and reviewing and mitigating emerging threats.

The Chief Information Security Officer has provided regular updates on cyber security, including updates on the external 'Meltdown' and 'Spectre' issues in January 2018.

How the Committee has spent its time during the year



1.	Strategic and emerging risk CRO report	30%
2.	ICAAP	16%
3.	Operations department	15%
4.	Risk Framework, attestation, appetite	11%
5.	AML/MLRO reports	9%
6.	Other	9%
7.	Conduct risk and culture	5%
8.	Fraud and cyber risk	5%

MLRO update

The Committee has received a number of reports from the MLRO. During the period the MLRO's focus has been on maintaining a strong control environment whilst pushing forward the developments that will improve Anti Money Laundering / Treating Clients Fairly operational practices. New IT tools implemented have improved the control environment and our ability to analyse our client profiles.

Operations update

The Committee has received reports from the Head of Operations at each Committee meeting. Regular topics of discussion included improvements to the control framework, client outcomes, resource planning and training and engagement of our operations teams. Key improvement activity has included work with an external consultancy firm on process efficiency and management training, the design and implementation of a stronger process framework, which aligns to the Risk Management Framework and the establishment of a first line risk and control team focused on operations.

ICAAP

The Committee approved and recommended for Board approval the Hargreaves Lansdown ICAAP on 1 February 2018. Prior to the Committee's approval, separate ICAAP challenge and review sessions were run with both the Board and the Executives. Understanding the ICAAP and using it as an element of risk management challenge to the business is integral to the Committee, with specific agenda items dedicated to the constituent elements including operational risk, liquidity management, reverse stress testing, stress scenarios and wind down plans.

Risk framework and governance

The Committee has continued to receive evidence of the improving Risk Management Framework, in particular the adoption of risk self-assessment, greater function and team based risk reporting and improvements to the conduct risk activity focused on client outcomes.

Remuneration schemes governance

The Committee provided support and input to the Remuneration Committee by reviewing a report from the CRO covering the appropriateness and operation of remuneration schemes on the Group's risk profile.

Risk effectiveness

During the year, the Committee has overseen a range of improvements in both the capacity, skills and experience of the risk management team, and the embeddedness of the framework. These measures have all increased the effectiveness of risk management. The Chair of the Committee has been in regular contact with the CRO and Head of Internal Audit throughout the year. At its meeting in June 2018, the Committee received and approved the annual reports on the adequacy and effectiveness of the Group's risk management process, risk function and the effectiveness of the internal control environment.

Risk Committee Evaluation

The Board has carried out a comprehensive externally facilitated Board Evaluation review this year which has included a review of the performance of the Risk Committee. The Board is reviewing the results of the evaluation and will be implementing any actions required in due course over the coming year.

Priorities for 2018/19

The priorities for the Risk Committee for 2018/19 include:

- Continued development and embedding of the Risk Management framework;
- Active monitoring and management of the risk profile and performance against our Risk Appetite ensuring alignment with our strategy.
- Overseeing the evolution of the ICAAP model;
- Reviewing, challenging and approving the 2018 ICAAP; and
- Receiving and reviewing reports relating to any significant issues that require remedial action which arise in the period under review.

Shirley Garrood
Chair of the Risk Committee

6 August 2018

DIRECTORS' REPORT

The Directors present their report on the affairs of the Group and the audited consolidated financial statements of the Group for the year ended 30 June 2018. Accompanying this Directors' Report are the Strategic report, Corporate Governance report, Audit Committee report and Directors' Remuneration report. These reports form part of the Report and Financial Statements.

Cautionary statement

The review of the business and its strategic priorities in this Report and Financial Statements has been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for these strategies to succeed. It should not be relied on by any other party for any other purpose. The review contains forward-looking statements which are made by the Directors in good faith based on information available to them up to the time of the approval of these reports and should be treated with caution due to inherent uncertainties including both economic and business risk factors associated with such statements.

Results and dividends

The results of the Group are set out in detail on page 111. The Company paid an interim ordinary dividend during the period, as detailed in note 3.2 to the financial statements. The Board have proposed a final ordinary dividend of 22.1 pence per share, to be paid in respect of the year ended 30 June 2018, subject to approval at the AGM. In addition the Board have declared a special dividend of 7.8 pence per share. The proposal would see these dividends paid on 19 October 2018 to all shareholders on the register at 28 September 2018. Details of dividend waivers are also detailed in note 3.2 to the consolidated financial statements.

Events after balance sheet date

Details of those important events affecting the Group which have occurred since the end of the financial year are set out in note 5.5 to the consolidated financial statements.

Employee disclosures

Our disclosures relating to the employment of disabled persons, the number of women in senior management roles, employee engagement and policies are included in 'Corporate Social Responsibility' on pages 40 to 48.

Corporate social responsibility

Information about the Group's approach to the environment and sustainability, including details of our greenhouse gas emissions, are set out on pages 47 to 48.

Risk management

Details of the Group's policy on risk management has been made in note 5.7 of the notes to the consolidated financial statements related to various financial instruments and exposure of the Group to financial, market, liquidity and credit risk.

Find out more
A review of the business and its future development is set out in the Strategic Report. A description of the principal risks and uncertainties is given on pages 26 to 31 of the Strategic report.

Corporate governance

The Corporate Governance report is found on pages 54 to 60 and, together with this report of which it forms part, fulfils the requirements of the corporate governance statement for the purpose of the Financial Conduct Authority's Disclosure and Transparency Rules (DTR).

Share capital

The Company's shares are listed on the Main Market of the London Stock Exchange. The Company's authorised and issued share capital during the year and as at 30 June 2018 is shown in note 3.1 to the consolidated financial statements. The ordinary shares rank pari passu in all respects. Save as agreed at the Annual General Meeting of the shareholders, the ordinary shares have pre-emption rights in respect of any future issues of ordinary shares to the extent conferred by Section 561 of the Companies Act 2006.

Beneficial owners of shares with 'information rights'

Beneficial owners of shares who have been nominated by the registered holder of those shares to receive information rights under section 146 of the Companies Act 2006 are required to direct all communications to the registered holder of their shares rather than to the Company's registrar, Equiniti Registrars, or to the Group directly.

Directors' interests

Information about the interests, in the shares of the Company, of those who held the office of Director in the year to 30 June 2018 is included in the Directors' Remuneration report on page 69.

During the year, Fiona Clutterbuck and Roger Perkin joined the Board as Non-Executive Directors on 1 September 2017 and Christopher Barling stepped down as a Non-Executive Director on 7 February 2018.

Mike Evans also stood down as Non-Executive Chair on 7 February 2018 with Deanna Oppenheimer taking his place having received regulatory approval on 1 February 2018.

During the period covered by this report, no Director had any material interest in a contract to which the Company or any of its subsidiary undertakings was a party other than their own service contract, requiring disclosure under the requirements of the Companies Act 2006.

Find out more
Further details regarding those persons who have been Directors in the year can be found in the governance section of this report on page 56.

Directors' indemnities

As permitted by the Company's Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third-party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was introduced in August 2014 and is currently in force. The Company also purchased and maintained throughout the financial year directors' and officers' liability insurance cover for up to £60 million in respect of itself and its Directors to guard against liability which may be incurred acting as Directors and Officers. This cover remains in force at the date of this report.

Substantial shareholdings

As at 30 June 2018 and 6 August 2018 the Company had been advised in accordance with the DTR of the following shareholdings amounting to more than 3% of the issued share capital of the Company:

Interested party	Number and % of ordinary shares
Peter Hargreaves	152,639,678 (32.18%)
Stephen Lansdown	51,640,000 (10.89%)
BlackRock, inc	32,343,003 (6.81%)
Baillie Gifford	23,888,812 (5.04%)
Lindsell Train Limited	23,750,918 (5.01%)
APG Asset Management N V	14,388,351 (3.03%)

There is a relationship agreement in place between Peter Hargreaves and the Company to ensure that the independence provisions as set out in the Listing Rules are complied with. The Board confirms that for the year ended 30 June 2018, and in accordance with the Listing Rule 9.8.4(14):

(i) The Company has complied with the independence provisions included in the relationship agreement; and

(ii) So far as the Company is aware, the independence provisions included in the relationship agreement have been complied with by the other parties to the relationship agreement and their associates.

DIRECTORS' REPORT CONTINUED

Table of cross references required for the Listing Rule 9.8.4 of the UK Listing Rules

Listing Rule 9.8.4 of the Financial Conduct Authority's Listing Rules require us to make certain disclosures. The table below highlights each disclosure and where each can be found within the Report and Financial Statements:

Listing Rule 9.8.4 Required Disclosure	Location in the Report and Financial Statements
(12) Current Year Dividend Waiver Agreements	Note 3.2 to the consolidated financial statements provides information on employee benefit trusts that have waived dividends
(13) Future Dividend Waiver Agreements	Note 3.2 to the consolidated financial statements provides information on employee benefit trusts that have waived dividends
(14) Information Regarding Controlling Shareholder	A statement regarding the controlling shareholder is on page 99 of the Directors' report

Market Abuse Regulations

The Company has its own internal dealing rules which apply to all staff and which encompass the requirements of the Market Abuse Regulations.

Annual General Meeting

At the AGM on 11 October 2018, the following five items of special business will be tabled:

1. Authority to purchase own shares: The Company was granted authority at the AGM in 2017 to purchase its own shares up to an aggregate value of 10% of the issued nominal capital. This authority expires at this year's AGM and a special resolution will be proposed for its renewal.

This resolution gives the Directors authority to make market purchases of up to 47,431,862 ordinary shares, representing approximately 10% of the Company's issued ordinary share capital at 6 August 2018. The Directors do not have any present intention to exercise such authority and the authority will expire at the conclusion of the next AGM after the passing of the proposed resolution.

2. and 3. Directors' authority to allot shares and waiver of pre-emption rights: Resolutions are to be proposed as special business at the AGM on 11 October 2018 to enable the Directors to allot unissued shares and, subject to the limits therein contained, to allot shares for cash other than to existing shareholders in proportion to their shareholdings.

Allotment of shares: This resolution renews the Directors' authority to allot shares. The maximum nominal value of relevant securities that may be allotted pursuant to the authority is £632,424.80, representing 158,106,200 ordinary shares. This amount represents approximately 33.3% of the Company's total share capital in issue as at 6 August 2018.

Waiver of pre-emption rights: This resolution renews the statutory pre-emption procedures, so long as: (i) the issue is a rights issue, open offer or other pre-emptive offer, or pursuant to a scrip dividend alternative; or (ii) the aggregate nominal amount of such issue does not exceed £94,863.72 (which represents 5% of the issued share capital as at 6 August 2018).

The Directors do not have any present intention of exercising either of the authorities and the authorities will expire at the conclusion of the next AGM.

These resolutions seek authorities which are in accordance with the current guidelines issued by the Investment Committees of the Association of British Insurers and the National Association of Pension Funds.

4. Approval of short notice for general meetings. The Company was granted authority at the AGM in 2017 to call a general meeting on no less than 14 clear days' notice. This authority expires at this year's AGM and a special resolution will be proposed for its renewal.

5. Adoption of a new executive share option scheme: A resolution is being proposed as special business at the AGM to enable the Directors to adopt a new executive share option scheme.

Further details of the proposals are included within the Directors' remuneration report, and full details will be provided in the shareholders' Notice of AGM.

PwC have expressed their willingness to accept appointment as auditor and a resolution to appoint them will be proposed at the forthcoming AGM.

Viability statement

In accordance with provision C.2.2 of the UK Corporate Governance Code, the Directors have assessed the viability of the Group over a longer period than the 12 months required by the Going Concern provision. Details of the assessment can be found in the risk management and the principal risks and uncertainties section of the Strategic report.

Going concern

In conjunction with its assessment of longer-term viability above, the Board concluded that it remained appropriate to adopt the going concern basis of accounting in preparing the consolidated financial statements as it believes the Group will continue to be in business, with neither the intention nor the necessity of liquidation, ceasing trading or seeking protection from creditors pursuant to laws or regulations for a period of at least 12 months from the date of approval of the Group financial statements.

Disclosure of information to auditor

Each of the persons who is a Director at the date of approval of this Report and Financial Statements confirms that:

- So far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- Each Director has 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 auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Approved by and signed by order of the Board

Paula Watts
Company Secretary

6 August 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Report and 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 Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 Group and parent company and of the profit or loss of the Group and parent 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 IFRSs as adopted by the European Union have been followed for the Group financial statements and IFRSs as adopted by the European Union have been followed for the Company financial statements, 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 group and parent company will continue in business.

The Directors are also responsible for safeguarding the assets of the Group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and parent company and enable them to ensure that the financial statements and the Directors' Remuneration report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The Directors are responsible for the maintenance and integrity of the parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

The Directors consider that the Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and parent company's position and performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the Governance section, on page 51, confirm that, to the best of their knowledge:

- the parent company financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the company;
- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Directors' Report includes a fair review of the development and performance of the business and the position of the Group and parent company, together with a description of the principal risks and uncertainties that it faces.

By order of the Board

Philip Johnson
Chief Financial Officer

6 August 2018

03 FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HARGREAVES LANSDOWN PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion, Hargreaves Lansdown plc's group financial statements and parent company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2018 and of the group's profit and the group's and the parent company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Report and Financial statements 2018 (the "Annual Report"), which comprise: the consolidated and parent company statements of financial position as at 30 June 2018; the consolidated income statement and consolidated statement of comprehensive income, the consolidated and parent company statements of cash flows, and the consolidated and parent company statements 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.

Our opinion is consistent with our reporting to the Audit Committee.

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 group 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, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company.

Other than those disclosed in note 1.4 to the financial statements, we have provided no non-audit services to the group or the parent company in the period from 1 July 2017 to 30 June 2018.

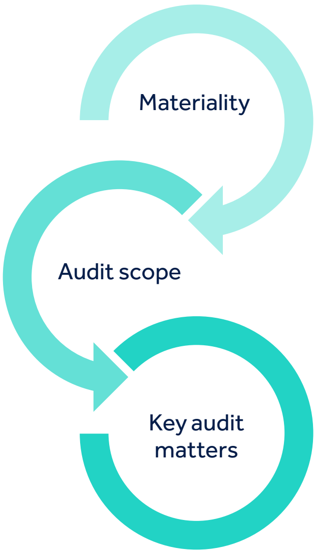
Our audit approach

Context

Hargreaves Lansdown plc is listed on the London Stock Exchange and its principal activity is the provision of regulated investor investment services to UK retail clients. As a result, key focus areas for Hargreaves Lansdown plc are on growing assets under administration and operating within a highly regulated market. These activities provide the context for our audit.

In the year, there have been no significant transactions or business reorganisations outside the normal course of business and no significant changes in regulation that impact Hargreaves Lansdown plc.

Overview



- Overall group materiality: £14.6 million (2017: £13.2 million), based on 5% of profit before tax.
- Overall parent company materiality: £10.0 million (2017: £9.3 million), based on 5% of profit before tax.
- We performed a full scope audit of the complete financial information of two individually financially significant reporting units, which together represent 99.0% of the Group's profit before tax.
- Specific audit procedures were also performed over consolidation adjustments, balances that could be tested at a group level which included intangible assets, staff costs, cash and cash equivalents, term deposits and material movements through the consolidated statement of changes in equity.

- Revenue recognition (refer to the audit committee report, and note 1.1) (Group).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

We gained an understanding of the legal and regulatory framework applicable to the group and the industry in which it operates, and considered the risk of acts by the group which were contrary to applicable laws and regulations, including fraud. We designed audit procedures at group and significant component level to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. We focused on laws and regulations that could give rise to a material misstatement in the group and parent company financial statements, including, but not limited to, the Companies Act 2006, the Listing Rules, the Financial Conduct Authority's Client Asset Sourcebook. Our tests included, but were not limited to, review of the financial statement disclosures to underlying supporting documentation, review of correspondence with the regulators, enquiries of management and review of internal audit reports in so far as they related to the financial statements. There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

We did not identify any key audit matters relating to irregularities, including fraud. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HARGREAVES LANSDOWN PLC

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter

Revenue recognition (refer to the audit committee report, and note 1.1)

Revenue is material to the group and is an important determinant of the group's profitability.

Revenue may be misstated due to errors in system calculations or manual processes, for example, arising from incorrect securities prices or levels of assets held used in these calculations and processes. Further, there are incentive schemes in place for Directors and staff which are in part based on the group's revenue performance. Where there are incentives based on performance, there is an inherent risk of fraud in revenue recognition as there is an inherent incentive to misstate revenue.

We assessed each revenue stream for the two in-scope reporting units and determined that there is a significant risk based on the opportunity for errors to occur in each of these revenue streams. Our assessment of the risks for each revenue type which we needed to obtain evidence over is as follows:

Type of revenue	Description of risks, including fraud risk factors
Asset and transaction-based revenue streams calculated by the underlying administration system Management fees on SIPPs and ISAs Platform fees Stockbroking commission Other income	These revenue streams are either calculated based on the value of assets held or based on activities undertaken by the client of the group, such as stockbroking. The value of securities and all client activities is held in the underlying administration system which supports the Vantage and PMS platforms. The rates are derived from standard rate tables. Unauthorised changes to, or errors in these inputs could lead to a misstatement of revenue.

How our audit addressed the key audit matter

Asset and transaction based revenue streams

To address the risk identified in the asset and transaction based revenue streams calculated by the underlying administration system, we independently re-calculated the revenue recognised.

This covered management fees, platform fees and an element of stockbroking commission. Our calculations were based on data extracted from the administration system.

In order to rely on the data extracted, we:

- Reconciled transactional data provided from opening positions through to closing positions of individual securities held; and
- Tested a sample of transactions to supporting documentation such as client instructions and a sample of security positions to stock reconciliations and external sources (such as fund manager statements).

This testing provided sufficient evidence for us to determine the data extracted was reliable for the purposes of performing the recalculations.

We tested the inputs of our recalculations by agreeing standing data, such as fee structures, commission rates, stock movements and security prices to supporting evidence on a sample basis. No exceptions were noted from testing the standing data.

On the basis of this testing, we determined it was appropriate for us to use the standing data to perform our independent recalculation of each of the revenue streams.

We compared our independent recalculations to the amount reported and noted differences that, in our view, were trivial and required no further investigation.

We tested the remaining asset and transaction based revenue within the two in-scope reporting units which included other income and an element of stockbroking commission on a sample basis, agreeing each revenue item sampled back to supporting documentation. We noted differences that, in our view, were trivial and required no further investigation.

Key audit matter		How our audit addressed the key audit matter
Type of revenue	**Description of risks, including fraud risk factors**	
Revenue streams calculated by management or a third party Annual management charges ('AMCs') relating to the Hargreaves Lansdown Multi-Manager funds and Select funds Interest income on client money	The AMCs are calculated by an independent third party, based on the net asset value of the funds and the published AMC rate. Gross interest on client money is calculated by management based on the deposit balance and the rate agreed with the bank. As a result, a material misstatement of revenue could arise from fraudulently manipulating calculations or spreadsheet errors. The above key audit matter applies only to the group. The parent company does not report revenue.	**Revenue streams calculated by management or a third party** Annual management charges ('AMCs') relating to the Hargreaves Lansdown Multi-Manager funds and Select funds. We agreed revenue samples through to cash received evidenced by bank statements, recalculated the management fees, and tested a control operating at the firm which independently verifies the fund's net asset values provided by the independent third party. We noted differences that, in our view, were trivial and required no further investigation. Interest income on client money On a sample basis, we manually recalculated the gross interest earned on client money based on records maintained by management and tested these records by agreeing a sample of deposits and interest rates to documentation received from the relevant bank. No exceptions were noted as part of our testing. **All revenue streams** As part of our testing described above, we performed procedures to determine that revenue was recognised accurately and traced to cash receipts. In addition, we tested a sample of journals posted to the general ledger based on our assessment of fraud risk. We understood the nature of these journals and agreed the appropriateness of the journal to supporting documentation. No exceptions were noted that were indicative of fraud or error.

We determined that there were no key audit matters applicable to the parent company to communicate in our report.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the parent company, the accounting processes and controls, and the industry in which they operate.

The group is structured as one segment, comprising 20 separate reporting units. There were seven trading subsidiaries during the year, two of which we considered to be financially significant reporting units and on which we performed an audit of their complete financial information. Together these two financially significant reporting units represent 99.0% of the group's profit before tax. An entity was considered to be financially significant if it contributed more than 5% of consolidated profit before tax. Specific audit procedures were also performed over consolidation adjustments, balances that could be tested at a group level which included intangible assets, staff costs, cash and cash equivalents, term deposits and material movements through the consolidated statement of changes in equity. All of the audit work was performed by the group engagement team in the UK as all books and records were available at one location.

The parent company is a holding company with investments in subsidiaries in the Hargreaves Lansdown plc group. It does not trade outside of the group. The only material income it received during the year was dividend income received from its subsidiaries.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HARGREAVES LANSDOWN PLC

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Overall materiality	£14.6 million (2017: £13.2 million).	£10.0 million (2017: £9.3 million).
How we determined it	5% of profit before tax.	5% of profit before tax.
Rationale for benchmark applied	As the Group is profit orientated, we have calculated materiality with reference to profit before tax.	As the parent company is profit orientated, we have calculated materiality with reference to profit before tax.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £5.9 million and £13.1 million. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £730,000 (Group audit) (2017: £660,000) and £500,000 (Parent company audit) (2017: £465,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the group's and the parent company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and parent company's ability to continue as a going concern.
We are required to report if the directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

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 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, the Companies Act 2006 (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

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 30 June 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the group and parent company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' report. (CA06)

The directors' assessment of the prospects of the group and of the principal risks that would threaten the solvency or liquidity of the group

We have nothing material to add or draw attention to regarding:

- The directors' confirmation on page 26 of the Annual Report that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The directors' explanation on page 100 of the Annual Report as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the directors' statement that they have carried out a robust assessment of the principal risks facing the group and statement in relation to the longer-term viability of the group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the group and parent company and their environment obtained in the course of the audit. (Listing Rules)

Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the directors, on page 60, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the group's and parent company's position and performance, business model and strategy is materially inconsistent with our knowledge of the group and parent company obtained in the course of performing our audit.
- The section of the Annual Report on page 61 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The directors' statement relating to the parent company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HARGREAVES LANSDOWN PLC

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 set out on page 102, 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 group's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

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/auditors responsibilities. 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 parent 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.

Other required reporting

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 parent 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 parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the audit committee, we were appointed by the members on 25 October 2013 to audit the financial statements for the year ended 30 June 2014 and subsequent financial periods. The period of total uninterrupted engagement is 5 years, covering the years ended 30 June 2014 to 30 June 2018.

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

6 August 2018

SECTION 1: RESULTS FOR THE YEAR

CONSOLIDATED INCOME STATEMENT

for the year ended 30 June 2018

	Note	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Revenue		**447.6**	385.7
Commission payable		**(0.1)**	(0.1)
Net revenue	1.1	**447.5**	385.6
Fair value gains on derivatives		**2.3**	2.2
Operating costs	1.3	**(158.7)**	(126.7)
Operating profit		**291.1**	261.1
Finance income	1.6	**1.5**	1.2
Finance costs	1.7	**(0.2)**	–
Other gains & losses	1.8	**–**	3.5
Profit before tax		**292.4**	265.8
Tax	1.9	**(55.7)**	(53.8)
Profit for the financial year		**236.7**	212.0
Attributable to:			
Owners of the parent		**236.3**	211.7
Non-controlling interest		**0.4**	0.3
		236.7	212.0
Earnings per share			
Basic earnings per share (pence)	1.10	**49.7**	44.7
Diluted earnings per share (pence)	1.10	**49.6**	44.6

The results relate entirely to continuing operations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2018

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Profit for the financial year	**236.7**	212.0
Total comprehensive income for the financial year	**236.7**	212.0
Attributable to:		
Owners of the parent	**236.3**	211.7
Non-controlling interest	**0.4**	0.3
	236.7	212.0

SECTION 1: RESULTS FOR THE YEAR
NOTES TO THE GROUP FINANCIAL STATEMENTS INCOME STATEMENT

1.1 NET REVENUE

Revenue represents fees receivable from financial services provided to clients, net interest income on client money and management fees charged to clients. It relates to services provided in the UK and is stated net of value added tax.

Net revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for services provided in the normal course of business, net of commission payable, discounts, VAT and other sales-related taxes.

Net revenue is recognised as follows:

Management and platform fees are recognised on an accruals basis as they fall due.

The Group earns fees on transactions entered into on behalf of clients. The fee earned is recorded in the accounts on the date of the transaction, being the date on which services are provided to clients and the Group becomes entitled to the income.

Advisor charges are made to clients for providing full portfolio management services and ad hoc advice to clients on specific financial matters. Revenue is recognised at the point at which an agreement is made to provide advice.

Renewal commission is earned on third-party agreements entered into on the advice of the Group's advisory services and is recognised on an accruals basis as it becomes due and payable to the Group.

Commission payable relates to circumstances where renewal commission is passed on to clients and deducted from total revenue to provide net revenue.

Interest earned on client money is the net interest margin earned by the Group and is accrued on a time basis, based on the client money balances under administration and by reference to the effective interest rate applicable.

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Revenue		
Revenue from services	**405.5**	349.1
Interest earned on client money	**42.1**	36.6
Total revenue	**447.6**	385.7
Commission payable	**(0.1)**	(0.1)
Net revenue	**447.5**	385.6

1.2 SEGMENTAL REPORTING

Under IFRS 8, operating segments are required to be determined based upon the Group's internal organisation and management structure and the primary way in which the Chief Operating Decision Maker (CODM) is provided with financial information. In the case of the Group, the CODM is considered to be the Executive Committee.

It is the view of the Board and of the Executive Committee that there is only one segment, being the Group – a direct-to-investor investment service administering investments in ISA, SIPP and Fund & Share accounts, providing services for individuals and corporates. It is considered that segmental reporting does not provide a clearer or more accurate view of the reporting within the Group. Given that only one segment exists, no additional information is presented in relation to it, as it is disclosed throughout these financial statements.

The Group does not rely on any individual customer and so no additional customer information is reported.

The Group operates in more than one geographic location, having opened an office in Warsaw, Poland, within the year. The activities of this office are not material to the Group, with the purpose of the office being to provide support to the IT and development teams, based in the UK. Given that all revenue is within the Group the impact on the Conslidated Income Statement is £nil (2017: £nil). As such no information of the separate geographic elements is presented.

NOTES TO THE GROUP FINANCIAL STATEMENTS INCOME STATEMENT

1.3 OPERATING COSTS

Operating costs
Operating costs represent those arising as a result of our operations and include depreciation and amortisation. All amounts are recognised on an accruals basis.

Leasing
Rentals payable for assets under operating leases are charged to the consolidated income statement on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Marketing and distribution costs
Marketing and distribution costs include the advertising and marketing costs, as well as the cost of providing statements and information to clients.

Operating profit has been arrived at after charging:

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Depreciation of owned plant and equipment	**4.4**	3.8
Amortisation of other intangible assets	**3.4**	2.3
Marketing and distribution costs	**16.3**	14.3
Operating lease rentals payable – property	**2.9**	2.5
Other operating costs	**44.3**	35.2
Staff costs	**87.4**	68.6
Operating costs	**158.7**	126.7

1.4 AUDITORS' REMUNERATION

The analysis of auditors' remuneration is as follows:

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Audit fees		
Fees payable to the Company's auditors for the statutory audit of the Company's annual financial statements	–	–
Fees payable to the Company's auditors and its associates for the audits of the Company's subsidiaries	**0.1**	0.2
Audit related assurance services	**0.2**	0.2
	0.3	0.4

Audit fees for the year for the Company are below £50,000 and due to rounding are not shown in full in the above table.

NOTES TO THE GROUP FINANCIAL STATEMENTS INCOME STATEMENT

1.5 STAFF COSTS

Staff costs represent amounts paid to employees and non-executive directors in respect of services provided in the year including wages and salaries, share-based payment expenses, bonuses, payments to a defined contribution retirement benefit scheme and related social security costs. Amounts are recognised on an accruals basis as the services are provided.

The Group aims to attract, motivate and retain high calibre employees by rewarding them with competitive salary and benefit packages, which may be linked to the creation of long-term shareholder value. Salary ranges are established by reference to those prevailing in the employment market generally for employees of comparable status, responsibility and skills. All employees are eligible to be considered for an annual discretionary bonus. In addition to cash bonuses, the Group operates various share-based remuneration schemes as described in note 1.11. Other pension costs relate wholly to defined contribution schemes.

	Year ended 30 June 2018 No.	Year ended 30 June 2017 No.
The average monthly number of employees of the Group (including Executive Directors) was:		
Operating and support functions	**1,006**	709
Administrative functions	**392**	334
	1,398	1,043
Their aggregate remuneration comprised:	**£m**	£m
Wages and salaries	**71.2**	55.3
Social security costs	**7.8**	6.6
Share-based payment expenses	**3.6**	4.1
Other pension costs	**8.1**	5.3
Staff costs	**90.7**	71.3
Capitalised in the year	**(3.3)**	(2.7)
Staff costs as a deduction to operating profit	**87.4**	68.6

The staff costs of £90.7 million (2017: £71.3 million) include costs capitalised under intangible assets as assets under construction. In total, £2.8 million of wages and salaries (2017: £2.3 million), social security costs of £0.3 million (2017: £0.3 million) and pension costs of £0.2 million (2017: £0.1 million) were capitalised.

1.6 FINANCE INCOME

Interest income is accrued on a time basis by reference to the principal balance and the effective interest rate applicable for the office bank accounts.

Dividend income from investments is recognised when the rights to receive payment have been established.

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Interest on bank deposits	**1.5**	1.0
Dividends from equity investment	**–**	0.2
	1.5	1.2

1.7 FINANCE COSTS

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Commitment fees	**0.2**	–

The finance costs relate to the commitment fees paid in respect of a revolving credit facility taken up in the year. The facility allows the Group to draw up to £75 million (2017: £nil) and is undrawn as at 30 June 2018. The facility incurs interest charges, consisting of a margin of 0.85% plus LIBOR per annum when drawn .

1.8 OTHER GAINS & LOSSES

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Gain on disposals of available-for-sale investment	–	3.7
Gain on disposal of subsidiary	–	0.1
(Loss on disposal of office equipment)	–	(0.3)
	–	3.5

1.9 TAX

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Current tax: on profits for the year	**56.0**	52.4
Current tax: adjustments in respect of prior years	**0.2**	1.6
Deferred tax (note 2.8):	**(0.4)**	(0.4)
Deferred tax: adjustments in respect of prior years (note 2.8)	**(0.1)**	0.1
Deferred tax: adjustments due to changes in tax rates	–	0.1
	55.7	53.8

Corporation tax is calculated at 19% of the estimated assessable profit for the year to 30 June 2018 (2017: 19.75%).

In addition to the amount charged to the consolidated income statement, certain tax amounts have been charged or (credited) directly to equity as follows:

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Deferred tax relating to share-based payments	**(1.6)**	0.9
Current tax relating to share-based payments	**(1.1)**	(1.5)
	(2.7)	(0.6)

NOTES TO THE GROUP FINANCIAL STATEMENTS INCOME STATEMENT

1.9 TAX CONTINUED

Factors affecting tax charge for the year

It is expected that the ongoing effective tax rate will remain at a rate approximating to the standard UK corporation tax rate in the medium term, except for the impact of deferred tax arising from the timing of exercising of share options which is not under our control. The standard UK corporation tax rate was reduced to 19% (from 20%) on 1 April 2017, and accordingly, the Group's profits for this accounting year are taxed at an effective rate of 19%. Deferred tax has been recognised at 19% or 17%, being the rates expected to be in force at the time of the reversal of the temporary difference. A deferred tax asset in respect of future share option deductions has been recognised based on the Company's share price as at 30 June 2018.

The charge for the year can be reconciled to the profit per the income statement as follows:

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Profit before tax	**292.4**	265.8
Tax at the standard UK corporation tax rate of 19.0% (2017: 19.75%)	**55.6**	52.5
Non-taxable income	**(0.2)**	(0.7)
Items not allowable for tax	**0.1**	0.2
Adjustments in respect of prior years	**0.2**	1.7
Impact of the change in tax rate	**–**	0.1
Tax expense for the year	**55.7**	53.8
Effective tax rate	**19.0%**	20.2%

Factors affecting future tax charge

Any increase or decrease to the Company's share price will impact the amount of tax deduction available in future years on the value of shares acquired by staff under share incentive schemes. The Finance Act 2015 was enacted on 18 November 2015 and reduced the standard rate of UK corporation tax to 19% from 1 April 2017 and to 18% from 1 April 2020. The Finance Bill 2016 was substantively enacted on 6 September 2016 reducing the rate further to 17% from 1 April 2020, replacing the originally planned 18% rate.

1.10 EARNINGS PER SHARE (EPS)

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in free issue during the year, including ordinary shares held in the Hargreaves Lansdown Employee Benefit Trust Limited (EBT) reserve which have vested unconditionally with employees.

Diluted earnings per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

The weighted average number of anti-dilutive share options and awards excluded from the calculation of diluted earnings per share was nil at 30 June 2018 (2017: 1,213,461).

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Earnings		
Earnings for the purposes of basic and diluted EPS – net profit attributable to equity holders of parent company	**236.3**	211.7
Number of shares		
Weighted average number of ordinary shares	**474,318,625**	474,318,625
Weighted average number of shares held by HL EBT	**(328,053)**	(926,356)
Weighted average number of shares held by HL EBT that have vested unconditionally with employees	**439,127**	1,010,585
Weighted average number of ordinary shares for the purposes of basic EPS	**474,429,699**	474,402,854
Weighted average number of dilutive share options held by HL EBT that have not vested unconditionally with employees	**984,793**	562,587
Weighted average number of ordinary shares for the purposes of diluted EPS	**475,414,492**	474,965,441

Earnings per share	**Pence**	Pence
Basic EPS	**49.7**	44.7
Diluted EPS	**49.6**	44.6

1.11 SHARE-BASED PAYMENTS

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. Share options are expensed on a straight-line basis over the vesting period, based on management's best estimate of awards vesting and adjusted for the impact of non-market-based vesting conditions. Annual revisions are made to the estimate of awards vesting, based on non-market-based vesting conditions. The impact of the revision is recognised in the income statement such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to reserves.

Fair value is measured by use of the Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Any gains or losses on sale of the Company's own shares held by the EBT are credited or debited directly to the EBT reserve and are treated as non-distributable profits.

Equity-settled share option scheme

The Group seeks to facilitate equity ownership by employees, principally through schemes that encourage and assist the purchase of the Company's shares.

The Group operates three share option and share award plans: the Employee Savings-Related Share Option Scheme (SAYE), the Hargreaves Lansdown plc Share Incentive Plan (SIP) and the Hargreaves Lansdown Company Share Option Scheme (the Executive Option Scheme).

Awards granted under the SAYE scheme vest over three or five years. Awards granted under the Employee Share Incentive Plan vest over a three-year period. Awards granted under the Executive Option Scheme range between vesting at grant date and a maximum of ten years. Options are exercisable at a price equal to the market value of the Company's shares on the date of grant. There are currently no performance conditions attached to any options granted under any of the schemes, with the exception of the Long-Term Incentive Plan (LTIP) – an executive option scheme, although options are forfeited (in most circumstances) if the employee leaves the Group before the options vest.

Details of the share options and share awards outstanding during the year are as follows:

	Year ended 30 June 2018		Year ended 30 June 2017	
	Share options No.	**Weighted average exercise price Pence**	Share options No.	Weighted average exercise price Pence
SAYE				
Outstanding at beginning of the year	**792,477**	**975.4**	1,247,344	712.2
Granted during the year	**187,466**	**1,377.0**	159,213	1,058.0
Exercised during the year	**(85,133)**	**667.5**	(514,169)	368.4
Forfeited during the year	**(37,883)**	**990.3**	(99,911)	945.4
Outstanding at the end of the year	**856,927**	**1093.2**	792,477	975.4
Exercisable at the end of the year	**1,040**	**864.9**	14,386	526.6
Executive Option Scheme				
Outstanding at beginning of the year	**3,557,149**	**995.2**	4,189,294	945.8
Granted during the year	**281,209**	**131.7**	166,347	592.7
Exercised during the year	**(918,802)**	**842.6**	(579,015)	472.8
Forfeited during the year	**(394,609)**	**977.8**	(219,477)	1,123.9
Outstanding at the end of the year	**2,524,947**	**957.3**	3,557,149	995.2
Exercisable at the end of the year	**161,086**	**932.5**	860,199	962.0
SIP				
Outstanding at beginning of the year	**39,600**	**23.5**	51,975	23.5
Exercised during the year	**(2,365)**	**23.5**	(12,375)	23.5
Outstanding at the end of the year	**37,235**	**23.5**	39,600	23.5
Exercisable at the end of the year	**37,235**	**23.5**	39,600	23.5

The weighted average market share price at the date of exercise for options exercised during the year was 1,593.87 pence (2017: 1,342.60 pence).

NOTES TO THE GROUP FINANCIAL STATEMENTS INCOME STATEMENT

1.11 SHARE-BASED PAYMENTS CONTINUED

The share options outstanding at the end of each year have exercise prices and expected remaining lives as follows:

	Year ended 30 June 2018		Year ended 30 June 2017	
	Share options No.	**Weighted average options exercise price Pence**	Share options No.	Weighted average options exercise price Pence
Weighted average expected remaining life				
0-1 years	**1,240,927**	**1,068.0**	1,356,515	795.3
1-2 years	**1,090,031**	**903.8**	1,079,933	1,124.0
2-3 years	**939,420**	**1,037.4**	1,165,799	1,010.1
3-4 years	**50,000**	**1,377.6**	736,979	1,204.4
4-5 years	**98,731**	**0.0**	50,000	1,377.6
	3,419,109	**980.9**	4,389,226	982.7

The fair value at the date of grant of options awarded during the year ended 30 June 2018 and the year ended 30 June 2017 has been estimated by the Black-Scholes methodology and the principal assumptions required by the methodology were as follows:

	At 30 June 2018	At 30 June 2017
Weighted average share price	**1,642.5p**	1,296.5p
Expected dividend yields	**1.92%**	2.61%
SAYE		
Weighted average exercise price	**1,377.0p**	1,058.0p
Expected volatility	**29%**	28%
Risk-free rate	**0.94%**	0.16%
Expected life	**3 years**	3 years
Fair value	**484.6p**	319.9p
Executive scheme		
Weighted average exercise price	**131.66p**	592.7p
Expected volatility	**28%**	30%
Risk-free rate	**0.52%**	0.34%
Expected life	**4.5 years**	4.3 years
Fair value	**1202.6p**	762.9p

The expected volatility

The expected Hargreaves Lansdown plc share price volatility was determined by calculating the historical volatility of the Group's share price since flotation in May 2007.

Prior to 15 May 2007, the Company's shares were not listed on a stock exchange and therefore, no readily available market price existed for the shares. Since 15 May 2007, a quoted market price has been available for the Company's shares.

The Group recognised total expenses related to equity-settled share-based payment transactions as shown in note 1.5.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2018

	Note	At 30 June 2018 £m	At 30 June 2017 £m
ASSETS			
Non-current assets			
Goodwill	2.1	**1.3**	1.3
Other intangible assets	2.2	**18.1**	11.9
Property, plant and equipment	2.3	**13.8**	11.7
Deferred tax assets	2.8	**4.1**	2.0
		37.3	26.9
Current assets			
Trade and other receivables	2.6	**627.2**	628.8
Cash and cash equivalents	2.7	**125.3**	81.4
Investments	2.4	**1.5**	4.1
Derivative financial instruments	2.5	**0.2**	0.3
		754.2	714.6
Total assets		**791.5**	741.5
LIABILITIES			
Current liabilities			
Trade and other payables	2.9	**364.7**	411.5
Derivative financial instruments	2.5	**0.1**	0.2
Current tax liabilities		**20.8**	21.5
		385.6	433.2
Net current assets		**368.6**	281.4
Non-current liabilities			
Provisions	2.10	**0.7**	0.6
Total liabilities		**386.3**	433.8
Net assets		**405.2**	307.7
EQUITY			
Share capital	3.1	**1.9**	1.9
Shares held by EBT reserve		**(3.5)**	(7.0)
EBT reserve		**6.2**	7.9
Retained earnings		**399.4**	304.1
Total equity, attributable to the owners of the parent		**404.0**	306.9
Non-controlling interest	3.1	**1.2**	0.8
Total equity		**405.2**	307.7

The consolidated financial statements on pages 111 to 142 were approved by the Board and authorised for issue on 6 August 2018 and signed on its behalf by:

Philip Johnson
Chief Financial Officer

SECTION 2: ASSETS AND LIABILITIES

NOTES TO THE GROUP FINANCIAL STATEMENTS CONSOLIDATED STATEMENT OF FINANCIAL POSITION

2.1 GOODWILL

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the cash-generating unit expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are reviewed for impairment at least annually as a matter of course, and whenever an event or change in circumstances occurs which indicates potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Cost – at beginning and end of year	**1.5**	1.5
Accumulated impairment losses		
At beginning and end of year	**0.2**	0.2
Carrying amount – at end of year	**1.3**	1.3

The net carrying value of goodwill relates entirely to the acquisition of Hargreaves Lansdown Pensions Direct Limited (HLPD) now named Hargreaves Lansdown Advisory Services Limited (HLAS).

The Group has prepared financial forecasts for the business for the period to June 2021 that show the Group as a whole and HLAS, will remain profitable and cash generative. HLAS is profit-making and has a net asset position as at 30 June 2018. As a result there are no factors indicating goodwill is impaired.

2.2 OTHER INTANGIBLE ASSETS

Other intangible assets comprise customer lists, computer software and the Group's key operating system, which are stated at cost less amortisation and any recognised impairment loss. Amortisation is provided, where material, on all intangible assets excluding goodwill at rates calculated to write off the cost or valuation, less estimated residual value, of each asset evenly using a straight-line method over its estimated useful life as follows:

Customer list – eight years

The customer list relates to acquired books of business and does not include internally generated client lists. The carrying value of the assets is reviewed for impairment at least every 12 months, or when events or changes in circumstances indicate that the carrying value may not be recoverable.

Computer software – over three to eight years

Computer software relates to purchases of licences and software, in line with the requirements of IAS 38. The carrying values of computer software are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated income statement.

Internally developed software – eight years

IT development costs are capitalised only to the extent that they have led to the creation of enduring assets, which deliver benefits at least as great as the amount capitalised and in accordance with the recognition criteria of IAS 38 intangible assets.

When assessing projects for capitalisation we apply IAS 38's recognition and measurement criteria for internally generated intangible assets to development expenditure that is both propositional in nature (as opposed to regulatory or administrative), and which is, or is expected to be, material over the life of the project.

Development work has been undertaken in-house by IT staff and management to enhance the key operating system. The key operating system is fundamental to the operation of the platform, which holds client assets, enabling revenue to be earned.

In-house development work has also been undertaken in Hargreaves Lansdown Savings Limited to develop a digital cash savings product. Development commenced in the year to 30 June 2016. The Group launched the service in December 2017 to a limited number of clients and is committed to providing the financial resources required to see it through to expected profitability.

Where such costs relate to an asset that is not yet fully available for use by the business, they have been separately classified as internally developed software and are reviewed for impairment at least annually. No issues have been noted in the current year. In accordance with the provisions of IAS 38 the costs are capitalised as an intangible asset and subsequently amortised over the estimated useful life of the systems of eight years, starting from the date at which the assets are put into use.

Impairment of intangible assets excluding goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the loss. Where the asset does not generate cash flows, independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Recoverable amount is the higher of fair value, less costs to sell, and value in use.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and an impairment loss is recognised as an expense immediately.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONSOLIDATED STATEMENT OF FINANCIAL POSITION

2.2 OTHER INTANGIBLE ASSETS CONTINUED

	Customer list £m	Computer software £m	Internally developed software £m	Total £m
Cost				
At 1 July 2016	0.4	7.6	4.8	12.8
Additions	–	2.7	5.7	8.4
Impairments	–	(0.3)	(1.1)	(1.4)
At 30 June 2017	0.4	10.0	9.4	19.8
Additions	0.6	3.8	5.2	9.6
At 30 June 2018	1.0	13.8	14.6	29.4
Accumulated amortisation				
At 1 July 2016	–	5.2	0.5	5.7
Charge	0.1	1.7	0.5	2.3
Impairment	–	(0.1)	–	(0.1)
At 30 June 2017	0.1	6.8	1.0	7.9
Charge	0.1	2.2	1.1	3.4
At 30 June 2018	0.2	9.0	2.1	11.3
Carrying amount				
At 30 June 2018	0.8	4.8	12.5	18.1
At 30 June 2017	0.3	3.2	8.4	11.9
At 1 July 2016	0.4	2.4	4.3	7.1

The amortisation charge above is included in other operating costs in the income statement.

The customer lists are a separately acquired intangible asset and do not include any internally generated element. The remaining amortisation period for these asset is seven to eight years.

Computer software includes externally acquired licences and internally generated system improvements that have been deployed.

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2.3 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to working condition for its intended use.

Depreciation is charged based on the estimates of useful economic lives and expected residual values, which are reviewed annually, for all plant and equipment. Management determines the useful lives and residual values for assets when they are acquired, based on experience with similar assets and taking into account other relevant factors, such as any expected changes in technology. The charge is calculated to write off the cost or valuation, less estimated residual value, of each asset evenly using a straight-line method over its estimated useful life as follows:

Computer hardware – over three to ten years

Office equipment (includes fixtures and leasehold improvements) – over three to ten years.

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Property, plant and equipment

	Computer hardware £m	Office equipment £m	Total £m
Cost			
At 1 July 2016	23.0	6.3	29.3
Additions	2.0	2.7	4.7
Disposals	–	(0.8)	(0.8)
At 30 June 2017	25.0	8.2	33.2
Additions	4.3	2.2	6.5
At 30 June 2018	29.3	10.4	39.7
Accumulated depreciation			
At 1 July 2016	14.2	4.0	18.2
Charge	3.1	0.7	3.8
Disposal	–	(0.5)	(0.5)
At 30 June 2017	17.3	4.2	21.5
Charge	3.4	1.0	4.4
At 30 June 2018	20.7	5.2	25.9
Carrying amount			
At 30 June 2018	8.6	5.2	13.8
At 30 June 2017	7.7	4.0	11.7
At 1 July 2016	8.8	2.3	11.1

NOTES TO THE GROUP FINANCIAL STATEMENTS CONSOLIDATED STATEMENT OF FINANCIAL POSITION

2.4 INVESTMENTS

Investments are recognised in the Group's statement of financial position, on trade date, when the Group becomes party to the contractual provisions of an instrument and are initially measured at cost.

Investments that are designated as being held at fair value through profit or loss are carried at fair value, being the quoted market price of the listed investment, with any gain or loss reported within the income statement. An investment is classified in this category if it is held principally for the purpose of selling in the short-term.

Available-for-sale assets are included at cost upon initial recognition and have been subsequently remeasured at fair value. Where it is not possible to determine a fair value through the use of a quoted market price or other valuation technique, available-for-sale investments are carried at cost.

The Group derecognises financial assets only when the contractual rights to the cash flows, or substantially all of the risks and rewards of ownership from the asset are transferred or expire. On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable, as well as the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity, is recognised in profit or loss.

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
At beginning of year	**4.1**	1.0
Purchases	**–**	3.4
Disposals	**(2.6)**	(0.3)
At end of year	**1.5**	4.1
Comprising:		
Current asset investment – UK listed securities valued at quoted market price	**1.5**	4.1

£1.5 million (2017: £4.1 million) of investments are classified as held at fair value through profit and loss, being deal-related short-term investments and holdings in the HL multi-manager funds as a result of the daily box position – see note 5.8 for more details.

2.5 DERIVATIVE FINANCIAL INSTRUMENTS

The Group enters into short-term derivative financial instruments as a result of the currency service and overseas trading services offered to its clients. Derivatives are initially recognised at fair value at the date a derivative contract is entered into, and are subsequently remeasured to their fair value at the end of each reporting period, if applicable. The resulting gain or loss is recognised immediately in the income statement.

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Assets	**0.2**	0.3
Liabilities	**0.1**	0.2

Derivative contracts are short-term counterparty positions between the Group, its clients and third parties in the market. As a result there are derivative liabilities and derivative assets presented in the statement of financial position in respect of open positions at year end. All derivative positions are recognised as current assets or liabilities.

£2.3 million (2017: £2.2 million) of gains have been made, on a net basis, as a result of the fair value movements on derivatives in the year.

2.6 TRADE AND OTHER RECEIVABLES

Financial assets are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables are measured at amortised cost using the effective interest method and classified as loans and receivables in line with IAS 39. Appropriate allowances for estimated irrecoverable amounts are made and recognised in the income statement when there is objective evidence that the asset is impaired.

Term deposits

Term deposits comprise cash deposits held by UK licensed banks for a period of greater than three months, over which there is no recall during the term of the deposit. The amounts are measured at amortised cost using the effective interest method and classified as loans and receivables in line with IAS 39.

Accrued income

Accrued income relates to balances for which the Group has provided services, but balances are billed in arrears and as such are not yet due. The amount relates to fund management fees, interest on deposits and services direct to clients. The revenue is recognised evenly over the period during which services are provided, with initial recognition occurring at commencement of the agreement or period.

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Financial assets:		
Trade receivables	**348.5**	401.1
Term deposits	**222.0**	180.0
Other receivables	**4.2**	1.5
	574.7	582.6
Non-financial assets:		
Accrued income	**45.8**	40.0
Prepayments	**6.7**	6.2
	627.2	628.8

In accordance with market practice, certain balances with clients, Stock Exchange member firms and other counterparties totalling £327.1 million (2017: £378.6 million) are included in trade receivables. These balances are presented net where there is a legal right of offset and the ability and intention to settle net. The gross amount of trade receivables is £417.3 million (2017: £483.4 million) and the gross amount offset in the statement of financial position with trade payables is £90.2 million (2017: £104.8 million). Other than counterparty balances, trade receivables primarily consist of fees and amounts owed by clients and renewal commission owed by fund management groups. There are no balances where there is a legal right of offset but not a right of offset in accordance with accounting standards, and no collateral has been posted for the balances that have been offset.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONSOLIDATED STATEMENT OF FINANCIAL POSITION

2.7 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand and demand deposits that are readily convertible to a known amount of cash, subject to insignificant changes in value and are considered to be holdings of less than three months or those over which the Group has an immediate right of recall. They are initially classified as loans and receivables, which means they are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method. The carrying amount of these assets is approximately equal to their fair value.

Where the Group holds deposits on unbreakable terms greater than three months, these are classified as receivables.

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Cash and cash equivalents:		
Restricted cash – balances held by EBT	**3.8**	5.5
Group cash and cash equivalent balances	**121.5**	75.9
	125.3	81.4

At 30 June 2018, segregated deposit amounts held by the Group on behalf of clients in accordance with the client money rules of the Financial Conduct Authority amounted to £9,645 million (2017: £8,243 million). In addition, there were currency service cash accounts held on behalf of clients not governed by the client money rules of £22.5million (2017: £13.4 million). The client retains the beneficial interest in both these deposits and cash accounts, and accordingly, they are not included in the statement of financial position of the Group.

Restricted cash balances relate to the balances held within the HL Employee Benefit Trust. These are strictly held for the purpose of purchasing shares to satisfy options under the Group's share option schemes.

2.8 DEFERRED TAX ASSETS

Deferred tax assets arise because of temporary timing differences only. The following are the major deferred tax assets recognised and movements thereon during the current and prior reporting years. Deferred tax has been recognised at 19% or 17%, being the rate expected to be in force at the time of the reversal of the temporary difference.

	Fixed asset tax relief £m	Share-based payments £m	Other deductible temporary differences £m	**Total £m**
At 1 July 2016	0.2	2.4	0.1	**2.7**
Charge to income	(0.3)	0.3	0.2	**0.2**
Charge to equity	–	(0.9)	–	**(0.9)**
At 30 June 2017	(0.1)	1.8	0.3	**2.0**
Charge to income	0.2	0.4	(0.1)	**0.5**
Charge to equity	–	1.6	–	**1.6**
At 30 June 2018	0.1	3.8	0.2	**4.1**
Deferred tax expected to be recovered or settled:				
Within 1 year after reporting date	0.1	1.6	–	**1.7**
>1 year after reporting date	–	2.2	0.2	**2.4**
	0.1	3.8	0.2	**4.1**

2.9 TRADE AND OTHER PAYABLES

Financial liabilities and equity
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Trade payables
Trade payables are measured at amortised cost using the effective interest method. In accordance with market practice, certain balances with clients, Stock Exchange member firms and other counterparties are included as creditors.

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Financial liabilities		
Trade payables	**327.4**	375.5
Social security and other taxes	**8.7**	8.0
Other payables	**14.1**	13.1
	350.2	396.6
Non-financial liabilities		
Accruals	**13.6**	14.3
Deferred income	**0.9**	0.6
	364.7	411.5

In accordance with market practice, certain balances with clients, Stock Exchange member firms and other counterparties totalling £324.6 million (2017: £374.9 million) are included in trade payables, similarly to the treatment of trade receivables. As stated in note 2.6 above, where we have a legal right of offset and the ability and intention to settle net, trade payable balances have been presented net.

Other payables principally comprise amounts owed to staff as a bonus and rebates due to the regulated funds operated by the Group. Accruals and deferred income principally comprise amounts outstanding for trade purchases and revenue received but not yet earned on corporate pension schemes, where an ongoing service is still being provided.

2.10 PROVISIONS

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the end of the reporting period, and are discounted to present value where the effect is material.

Provisions are recognised for future committed property lease payments when the Group receives no benefit from the property through continuing usage and future receipts from any sub-letting arrangements are not in excess of the Group's future committed payments.

	£m
Included within non-current liabilities – property costs	
At 1 July 2016	**0.5**
Charged during the year	**0.1**
At 30 June 2017	**0.6**
Charged during the year	**0.1**
At 30 June 2018	**0.7**

The provision on property-related costs represents the Group's future committed lease payments on non-cancellable leases and other contractual obligations that arise on the surrendering of operating leases, in relation to the head office in Bristol. These property provisions are not expected to be fully utilised until 2026.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2018

	Attributable to the owners of the Parent						
	Share capital £m	Shares held by EBT reserve £m	EBT reserve £m	Retained earnings £m	**Total £m**	Non-controlling interest £m	**Total equity £m**
At 30 June 2016	1.9	(14.9)	12.0	254.7	**253.7**	0.5	**254.2**
Total comprehensive income	–	–	–	211.7	**211.7**	0.3	**212.0**
Employee Benefit Trust							
Shares sold in the year	–	10.8	–	–	**10.8**	–	**10.8**
Shares acquired in the year	–	(2.9)	–	–	**(2.9)**	–	**(2.9)**
EBT share sale	–	–	(6.6)	–	**(6.6)**	–	**(6.6)**
Reserve transfer on exercise of share options	–	–	2.5	(2.5)	**–**	–	**–**
Employee share option scheme							
Share-based payments expense	–	–	–	4.1	**4.1**	–	**4.1**
Current tax effect of share-based payments (note 1.9)	–	–	–	1.5	**1.5**	–	**1.5**
Deferred tax effect of share-based payments (note 1.9)	–	–	–	(0.9)	**(0.9)**	–	**(0.9)**
Dividend paid (note 3.2)	–	–	–	(164.5)	**(164.5)**	–	**(164.5)**
At 30 June 2017	1.9	(7.0)	7.9	304.1	**306.9**	0.8	**307.7**
Total comprehensive income	–	–	–	236.3	**236.3**	0.4	**236.7**
Employee Benefit Trust							
Shares sold in the year	–	12.1	–	–	**12.1**	–	**12.1**
Shares acquired in the year	–	(8.6)	–	–	**(8.6)**	–	**(8.6)**
EBT share sale	–	–	(4.4)	–	**(4.4)**	–	**(4.4)**
Reserve transfer on exercise of share options	–	–	2.7	(2.7)	**–**	–	**–**
Employee share option scheme							
Share-based payments expense	–	–	–	3.5	**3.5**	–	**3.5**
Current tax effect of share-based payments (note 1.9)	–	–	–	1.1	**1.1**	–	**1.1**
Deferred tax effect of share-based payments (note 1.9)	–	–	–	1.6	**1.6**	–	**1.6**
Dividend paid (note 3.2)	–	–	–	(144.5)	**(144.5)**	–	**(144.5)**
At 30 June 2018	1.9	(3.5)	6.2	399.4	**404.0**	1.2	**405.2**

NOTES TO THE GROUP FINANCIAL STATEMENTS CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

3.1 SHARE CAPITAL

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Authorised: 525,000,000 (2017: 525,000,000) ordinary shares of 0.4p each	**2.1**	2.1
Issued and fully paid: ordinary shares of 0.4p each	**1.9**	1.9
	Shares	Shares
Issued and fully paid: number of ordinary shares of 0.4p each	**474,318,625**	474,318,625

The Company has one class of ordinary shares which carry no right to fixed income.

The shares held by the EBT reserve represents the cost of shares in Hargreaves Lansdown plc purchased in the market and held by the Hargreaves Lansdown EBT to satisfy options under the Group's share option schemes.

The EBT reserve represents the cumulative gain on disposal of investments held by the HL EBT. The reserve is not distributable by the Company as the assets and liabilities of the EBT are subject to management by the Trustees in accordance with the EBT trust deed.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the minority's proportion of the net fair value of the assets and liabilities acquired at the date of the original business combination and the non-controlling interest's change in equity since that date. The non-controlling interest represents a 22% shareholding in Library Information Services Limited and a 7.5% shareholding in Hargreaves Lansdown Savings Limited, which are both subsidiaries of the Company.

NOTES TO THE GROUP FINANCIAL STATEMENTS CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

3.2 DIVIDENDS

Dividend recognition

Dividend distributions to the Company's shareholders are recognised in the accounting period in which the dividends are declared and paid, or, if earlier, in the accounting period when the dividend is approved by the Company's shareholders at the Annual General Meeting.

Amounts recognised as distributions to equity holders in the year:

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
2017 final dividend of 20.4p (2016 second interim dividend: 16.3p) per share	**96.7**	77.0
2017 special dividend of nil (2016: 9.9p) per share	**–**	46.8
2018 first interim dividend of 10.1p (2017: 8.6p) per share	**47.8**	40.7
Total dividends paid during the year	**144.5**	164.5

After the end of the reporting period, the Directors declared a final ordinary dividend of 22.1 pence per share and a special dividend of 7.8 pence per share payable on 19 October 2018 to shareholders on the register on 28 September 2018. Dividends are required to be recognised in the financial statements when paid, and accordingly the declared dividend amounts are not recognised in these financial statements, but will be included in the 2019 financial statements as follows:

	£m
2018 final dividend of 22.1p (2017 final dividend: 20.4p) per share	**104.7**
2018 special dividend of 7.8p (2017 special dividend: nil) per share	**37.0**
Total dividends	**141.7**

The payment of these dividends will not have any tax consequences for the Group.

Under an arrangement dated 30 June 1997, the Hargreaves Lansdown Employee Benefit Trust, which held the following number of ordinary shares in Hargreaves Lansdown plc at the date shown, has agreed to waive all dividends.

	Year ended 30 June 2018 No. of shares	Year ended 30 June 2017 No. of shares
Number of shares held by the Hargreaves Lansdown Employee Benefit Trust	**413,604**	917,011
Representing % of called-up share capital	**0.09%**	0.18%

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2018

	Note	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Net cash from operating activities			
Profit for the year after tax		**236.7**	212.0
Adjustments for:			
Income tax expense		**55.7**	53.8
Gains on disposal of investments		**–**	(3.5)
Depreciation of plant and equipment		**4.4**	3.8
Amortisation of intangible assets		**3.4**	2.3
Impairment of intangible assets		**–**	1.2
Share-based payment expense		**3.6**	4.1
Increase in provisions		**0.1**	0.1
Operating cash flows before movements in working capital		**303.9**	273.8
Decrease in receivables		**43.7**	168.2
Decrease in payables		**(46.9)**	(170.2)
Net derivative movement		**–**	(0.1)
Cash generated from operations		**300.7**	271.7
Income tax paid		**(55.9)**	(44.7)
Net cash generated from operating activities		**244.8**	227.0
Investing activities			
Increase in term deposits		**(42.0)**	(180.0)
Purchase of property, plant and equipment		**(6.5)**	(4.7)
Purchase of intangible assets		**(9.6)**	(8.4)
Purchase of investments		**–**	(3.4)
Proceeds on disposal of investments		**2.6**	2.7
Net cash used in investing activities		**(55.5)**	(193.8)
Financing activities			
Purchase of own shares in EBT		**(8.6)**	(2.9)
Proceeds on sale of own shares in EBT		**7.7**	4.2
Dividends paid to owners of the parent		**(144.5)**	(164.5)
Net cash used in financing activities		**(145.4)**	(163.2)
Net increase / (decrease) in cash and cash equivalents		**43.9**	(130.0)
Cash and cash equivalents at beginning of year	2.7	**81.4**	211.4
Cash and cash equivalents at end of year (including restricted cash)	2.7	**125.3**	81.4

SECTION 5: OTHER NOTES
NOTES TO THE GROUP FINANCIAL STATEMENTS OTHER

5.1 GENERAL INFORMATION

Hargreaves Lansdown plc (the "Company" and ultimate parent of the Group) is a company incorporated and domiciled in the United Kingdom under the Companies Act 2006 whose shares are publicly traded on the London Stock Exchange. The address of the registered office is One College Square South, Anchor Road, Bristol BS1 5HL, United Kingdom. The nature of the Group's operations and its principal activities are set out in the Operating and Financial Review.

These financial statements are presented in millions of pounds sterling (£m) which is the currency of the primary economic environment in which the Group operates.

Basis of preparation

The consolidated financial statements of Hargreaves Lansdown plc have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretation Committee (IFRS IC) interpretations as adopted by the European Union (EU), and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements are prepared on a going concern basis as discussed on page 101.

The financial statements have been streamlined and presented to allow users to better understand the primary statements and the related balances that make them up. It is our aim to ensure that the information provided is pertinent and indicates the balances of most importance, whilst ensuring conformity with IFRS. In order to do this, we have aligned the notes to the financial statements with the relevant primary statements; where there is an associated accounting policy, it is clearly denoted by a box presented at the beginning of the note.

The preparation of financial statements in conformity with IFRS 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 5.2.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and subsidiary undertakings controlled by the Group made up to 30 June 2018. The Group controls a subsidiary when it has power over an investee, is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the investee. The Group reassesses whether it controls a subsidiary when facts and circumstances indicate that there are changes to one or more elements of control.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquired entity. The acquired entity's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 'Business Combinations' are recognised at their fair value at the acquisition date.

The Group recognises any non-controlling interest in the acquired entity at the non-controlling interest's proportionate share of the recognised amounts of acquired entity's identifiable net assets.

Application of new standards

In the current year, the following new and revised standards and interpretations have been adopted but do not materially affect the amounts reported or the accounting policies in these financial statements:

- Annual improvements to IFRS 2014-2016 cycle:
  - Amendments to IFRS 12 'Disclosure of Interests in Other Entities', which clarifies that the only concession from the disclosure requirements of the standard are for interests in subsidiaries, associates or joint ventures that are classified (or in a disposal group classified) as held for sale;
- Amendment to IAS 7, 'Statement of Cash Flows';
- Amendments to IAS 12 'Income Taxes'.

At the date of authorisation of these financial statements, the following standards and interpretations which have not yet been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

- IFRS 9 'Financial Instruments'
- IFRS 15 'Revenue from Contracts with Customers'
- IFRS 16 'Leases'
- IFRS 17 'Insurance Contracts'
- Amendment to IAS 40 'Investment Property'
- Amendments to IFRS 2 'Classification and Measurement of Share-based Payment Transactions'
- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between and Investor
- Annual Improvements to IFRS Standards 2014-2016 Cycle
- Annual Improvements to IFRS Standards 2015-2017 Cycle
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration'
- IFRIC 23 'Uncertainty of Income Tax Treatments'

No early adoption of accounting standards has occurred for the years ended 30 June 2018 or 30 June 2017.

Management have assessed the new and impending standards, as outlined above, and have outlined the impacts as follows:

IFRS 9

IFRS 9 requires re-assessment of classification and measurement in relation to financial instruments, this includes changes with respect to impairment, with IFRS 9 requiring the consideration to be made for expected loss when considering impairment, as well as enhanced disclosures.

IFRS 9 will be effective for, and adopted by, the Group on 1 July 2018. Reclassification required by IFRS 9 has been assessed against the financial instruments of the Group as at 30 June 2018 and there are no assets or liabilities that are expected to require reclassification or re-measurement. Accounting policies will also be updated in accordance with the requirements of IFRS 9.

The below table highlights the key financial instruments and their measurement and recognition classification:

Financial instrument	IAS 39 classification	IFRS 9 classification
Trade and other receivables	Loans and receivables	Amortised cost
Equity investments	Fair value through profit and loss	Fair value through profit and loss
Cash & cash equivalents	Fair value through profit and loss	Amortised cost
Derivative financial instruments	Fair value through profit and loss	Fair value through profit and loss
Trade and other payables	Amortised cost	Amortised cost

Impairment measurement under IFRS 9 requires an assessment to be made of the expected lifetime credit losses on financial instruments. This does not apply to equity instruments, but does apply to the trade and other receivables balances. This will require the Group to assess the expected increases in credit risk in a given financial year.

Given the short-term nature of the Company's receivables, with the majority being settled within four days, losses are uncommon and low in value. As a result, management do not expect any material lifetime expected credit losses to be recognised, assuming the makeup of the balances at 30 June 2019 is similar to the balances as at 30 June 2018.

NOTES TO THE GROUP FINANCIAL STATEMENTS OTHER

5.1 GENERAL INFORMATION CONTINUED

IFRS 15
The adoption of IFRS 15 is effective from periods beginning on or after 1 January 2018 and establishes a new principal based approach to be applied to revenue from contracts with customers, with the exception of insurance contracts, leases and financial instrument contracts. IFRS 15 will be adopted on 1 July 2018.

A detailed assessment of all revenue streams as described in note 1.2, using the five step model outlined in the standard, has been undertaken. The following steps have been considered:

- Identify the contract with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to separate performance obligations
- Recognise revenue as the entity satisfies a performance obligation

It is the view of management that the revenue reporting and recording methods employed under IAS 18 satisfy the requirements of IFRS 15 and no material changes will be required to the current method of recognition and measurement upon adoption.

IFRS 16
IFRS 16 issued in January 2016, changes the way leases are treated and removes the concepts of finance leases and operating leases. The adoption of IFRS 16 from 1 July 2019 will lead to the recognition of a right of use asset and corresponding liability for each of the agreements we have on our offices, due to the requirement under the standard to capitalise lease commitments. This standard replaces the IAS 17 distinction between "operating" and "finance" leases for lessees.

The Group has four leases, all over property, at the end of the period, with remaining commitments of £28.6 million, at 30 June 2018. On adoption of the standard, liabilities and assets expected to be material to the Group will be recognised, this will lead to a negative impact on the statement of comprehensive income due to the change in timings of expenses given the fact that operating lease accounting requires straight line recognition of expense, whereas the liability under IFRS 16 is accounted for using the effective interest method. This negative impact is not expected to be material.

IFRS 16 will be effective for financial years beginning on or after 1 January 2019. Management continue to assess the quantum of the adjustments and the subsequent impact on the Statement of Comprehensive Income and the Statement of Financial Position.

Accounting policies
The financial statements have been prepared on the historical cost basis, except for the revaluation of financial assets at fair value through profit and loss. The principal accounting policies adopted are set out at the start of each note to which they relate.

The accounting policies set out alongside the relevant notes have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. The principal accounting policies adopted are set out in the relevant notes to the financial statements.

Accounting policies as shown in these notes have been consistently applied throughout the current and prior financial year.

5.2 KEY SOURCES OF JUDGEMENTS AND ESTIMATION UNCERTAINTY

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities. If in the future such estimates and assumptions, which are based on management's best judgement at the date of preparation of the financial statements, deviate from actual circumstances, the original estimates and assumptions will be modified as appropriate in the period in which the circumstances change. There are no assumptions made about the future, or any other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

5.3 COMMITMENTS

Operating lease commitments – as lessee

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Minimum lease payments under operating lease recognised as an expense in the year	**2.9**	2.5
At the end of the reporting period, the Group had outstanding commitments for future minimum lease payments under the remaining term of non-cancellable operating leases, which fall due as follows:		
Within one year	**3.7**	2.8
In the second to fifth years inclusive	**14.8**	11.2
After five years	**10.1**	11.9
Total minimum lease payments	**28.6**	25.9

Operating lease payments represent rentals payable by the Group for its office properties. The Group leases various offices under non-cancellable operating lease agreements. The leases have varying terms, escalation values and renewal rights.

Capital commitments

At the end of the reporting period, the Group had capital commitments of £0.1 million (2017: £1.8 million) for IT equipment.

5.4 SUBSIDIARIES

A list of the investments in subsidiaries included in the consolidated results of Hargreaves Lansdown plc is shown in note 6.4 to the parent Company financial statements. Also included in the Group Consolidated Financial Statements are "The Hargreaves Lansdown Employee Benefit Trust", "The Hargreaves Lansdown plc SIP Trust" and the Share Incentive Plan.

5.5 EVENTS AFTER THE REPORTING PERIOD

On 6 August 2018 the Directors proposed a final ordinary dividend payment of 22.1 pence per ordinary share and a special dividend of 7.8 pence per share, payable on 19 October 2018 to all shareholders on the register at the close of business on 28 September 2018 as detailed in note 3.2.

5.6 RELATED PARTY TRANSACTIONS

The Company has a related party relationship with its subsidiaries, its Directors and members of the Executive Committee (the "key management personnel"). Transactions between the Company and its key management personnel are disclosed below. Details of transactions between the Company and other related parties are also disclosed below.

Trading transactions

The Company entered into the following transactions with Directors within the Hargreaves Lansdown Group and related parties who are not members of the Group:

During the years ended 30 June 2018 and 30 June 2017, the Company has been party to a lease with Peter Hargreaves, a significant shareholder and former Director, for rental of the old head office premises at Kendal House. A ten-year lease was signed on 6 April 2011 for a rental of part of the building, to be used for disaster recovery purposes at a market rate rent of £0.1 million per annum. No amount was outstanding at either year end.

At year end, 30 June 2018, a total of £2.5 million of the trade receivables balance relates to a trade conducted by Peter Hargreaves on 27 June 2018. This deal settled on 2 July 2018, with no remaining balances outstanding. There is no fee or commission associated with the trade.

Throughout the year, the non-controlling interest in both HL Savings Limited and Library Information Services Limited has been held by Stuart Louden, an employee of the Group. There has been no change in the holdings in the current period - see note 6.4 for further details.

During the years ended 30 June 2018 and 30 June 2017, the Group has provided a range of investment services in the normal course of business to shareholders on normal third-party business terms. Directors and staff are eligible for a slight discount on some of the services provided.

NOTES TO THE GROUP FINANCIAL STATEMENTS OTHER

5.6 RELATED PARTY TRANSACTIONS CONTINUED

Remuneration of key management personnel

The remuneration of the key management personnel of the Group, being those personnel who were either a member of the Board of a Group company or a member of the Executive Committee during the relevant year shown below, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Short-term employee benefits	**9.0**	7.7
Post-employment benefits	**0.2**	0.1
Termination benefits	–	–
Share-based payments	**1.7**	2.0
	10.9	9.8

In addition to the amounts above, eight key management personnel (2017: seven) received gains of £1.9 million (2017: £1.2 million) as a result of exercising share options. During the year, awards were made under executive option schemes for 10 key management personnel (2017: zero).

Included within the previous table are the following amounts paid to Directors of the Company who served during the relevant year. Full details of Directors' remuneration, including numbers of shares exercised, are shown in the Directors' remuneration report.

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Short-term employee benefits	**4.0**	3.7
Share-based payments	**0.5**	1.1
	4.5	4.8

In addition to the amounts above, Directors of the Company received gains of £0.2 million relating to the exercise of share options (2017: £0.6 million).

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Emoluments of the highest paid Director	**2.4**[1]	1.7[1]
	No.	No.
Number of Directors who exercised share options during the year	**1**	2[2]
Number of Directors who were members of money purchase pension schemes	**1**	2[2]

1 The highest paid Director was the Chief Executive Officer and full details of his emoluments can be found in the audited 'Remuneration payable' table in the Directors' remuneration report.
2 This includes the former Chief Executive Officer in the period up to the date of his resignation.

Any amounts outstanding with related parties are unsecured and will be settled in cash. No guarantees have been given or received in respect of amounts outstanding. No provisions have been made for doubtful debts in respect of the amounts owed by the related parties.

5.7 FINANCIAL INSTRUMENTS

Financial instruments include both assets and liabilities. Financial assets principally comprise trade and other receivables, cash and cash equivalents, current asset listed investments and derivative financial instruments. Financial liabilities comprise certain provisions, trade and other payables, and derivative financial instruments.

At 30 June	Financial assets at fair value through profit and loss		Loans and receivables		Financial liabilities measured at amortised cost		Total	
	2018 £m	2017 £m	**2018 £m**	2017 £m	**2018 £m**	2017 £m	**2018 £m**	2017 £m
Financial assets								
Investments:								
Held for trading assets	**1.5**	4.1	–	–	–	–	**1.5**	4.1
Derivative financial instruments	**0.2**	0.3	–	–	–	–	**0.2**	0.3
Trade and other receivables:								
Trade receivables	–	–	**348.5**	401.1	–	–	**348.5**	401.1
Other receivables	–	–	**4.2**	1.5	–	–	**4.2**	1.5
Cash and cash equivalents	–	–	**125.3**	81.4	–	–	**125.3**	81.4
Term deposits	–	–	**222.0**	180.0	–	–	**222.0**	180.0
Total financial assets	**1.7**	4.4	**700.0**	664.0	–	–	**701.7**	668.4
Financial liabilities								
Derivative financial instruments	**0.1**	0.2	–	–	–	–	**0.1**	0.2
Trade payables	–	–	–	–	**327.4**	375.5	**327.4**	375.5
Other payables	–	–	–	–	**22.8**	21.1	**22.8**	21.1
Total financial liabilities	**0.1**	0.2	–	–	**350.2**	396.6	**350.3**	396.8

Fair value hierarchy

The table below sets out the classifications of each class of financial asset and liability and their fair values.

	Level 1 Quoted prices for similar instruments £m	**Level 2** Directly observable market inputs other than Level 1 inputs £m	**Level 3** Inputs not based on observable market data £m	**Total £m**
At 30 June 2018				
Financial assets at fair value through profit or loss	**1.5**	–	–	**1.5**
Trading derivatives:				
Foreign exchange Assets	–	**0.2**	–	**0.2**
Foreign exchange Liabilities	–	**(0.1)**	–	**(0.1)**
	1.5	**0.1**	–	**1.6**
At 30 June 2017				
Financial assets at fair value through profit or loss	4.1	–	–	4.1
Trading derivatives:				
Foreign exchange Assets	–	0.3	–	0.3
Foreign exchange Liabilities	–	(0.2)	–	(0.2)
	4.1	0.1	–	4.2

There were no transfers between Level 1 and Level 2 assets during the year (2017: £nil).

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period.

Instruments included in Level 1 comprise primarily equity investments and fund units entered into on a counter-party basis. As such there is no recurring valuation of financial instruments between reporting periods.

The fair value of financial instruments not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. The valuation techniques employed in the valuation of over-the-counter derivatives rely on market forward rates as quoted at the end of the period used as inputs into an appropriate pricing model.

NOTES TO THE GROUP FINANCIAL STATEMENTS OTHER

5.7 FINANCIAL INSTRUMENTS CONTINUED

Nature and extent of risks arising from financial instruments

Financial risk management

The main risks arising from financial instruments are market risk (including interest rate risk, foreign exchange risk and price risk), liquidity risk and credit risk. Each of these risks is discussed in detail below.

The Group monitors financial risks on a consolidated basis. Hargreaves Lansdown's financial risk management is based upon sound economic objectives and good corporate practice. No hedging transactions have taken place during the years presented. The Group has designed a framework to manage the risks of its business and to ensure that the Directors have in place risk management practices appropriate to a listed company. The management of risk within the Group is governed by the Board.

Market risk

- Interest rate risk

Interest rate risk is the risk that the Group will sustain losses from adverse movements in rates associated with interest-bearing assets. There is an exposure to interest rates on banking deposits held in the ordinary course of business. At 30 June 2018, the value of financial instruments on the Group Statement of Financial Position exposed to interest rate risk was £347.3 million (2017: £261.4 million) comprising cash, cash equivalents and term deposits.

Impact of change in interest rates on finance income in the Consolidated Income Statement.

	2018 £m	2017 £m
+50bps (0.5%)	**0.5**	1.0
-50bps (-0.5%)	**(0.5)**	(1.0)

This assumes the interest income has been earned evenly over the period and that rates have remained constant over the period.

This exposure is continually monitored to ensure that the Group is maximising its interest earning potential within accepted liquidity and credit constraints. The Group has no external borrowings and as such is not exposed to interest rate or refinancing risk on borrowings. Cash at bank, including restricted cash, earns interest at floating rates based on daily bank deposit rates. Term deposits are also made for varying periods of between one day and 13 months, depending on the immediate cash requirements of the Group, and earn interest at the respective fixed-term deposit rates.

Given that a source of revenue is based on the value of client cash under administration, the Group has an indirect exposure to interest rate risk on cash balances held for clients, the balance of which was £9,645 million at 30 June 2018 (2017: £8,243 million). These amounts are not included in the Group statement of financial position.

- Foreign exchange translation and transaction risk

Foreign currency risk is the risk that the Group will sustain losses through adverse movements in currency exchange rates. With substantially all of the Group's businesses currently operating within the UK, and therefore with minimal net assets and transactions of the Group denominated in foreign currencies, the Group is not exposed to significant foreign exchange translation or transaction risk and as such does not hedge any foreign current assets or liabilities. The Group deals in foreign currencies on a matched basis on behalf of clients, limiting foreign exchange exposure.

- Price risk

Price risk is the risk that a decline in the value of assets adversely impacts on the profitability of the Group as a result of an asset not meeting its expected value. The Group is exposed to price risk on investments, in corporate entities, held on the Group statement of financial position. At 30 June 2018, the fair value of investments recognised on the Group statement of financial position was £1.5 million (2017: £4.1 million). A 20% move in equity prices, in isolation, would have an impact of £0.3 million (2017: £0.8 million).

As a main source of revenue is based on the value of client assets under administration, the Group has an indirect exposure to price risk on investments held on behalf of clients. These assets are not on the Group statement of financial position. The risk of lower revenues is partially mitigated by asset class diversification. The Group does not hedge its revenue exposure to movements in the value of client assets arising from these risks, and so the interests of the Group are aligned to those of its clients.

In addition, the Group acts as a private client investment manager, unit trust manager and agency stockbroker on a matched basis so its exposure to market price movements in this capacity is limited to when there is a trade mismatch or error, or if one matched counterparty fails to fulfil its obligations. The impact of these risks is minimised by limits and monitoring controls.

Liquidity risk

The Group is exposed to liquidity risk, namely the risk that it may be unable to meet its payment obligations as they fall due. The Group is highly cash generative and holds significant liquid assets. The Group actively maintains a proportion of cash balances on short-term deposit to ensure that the Group has sufficient available funds for operations.

The table below analyses the maturities of the undiscounted cash flows relating to financial liabilities of the Group based on the remaining period to the contractual maturity date at the end of the reporting period.

	At 30 June 2018				At 30 June 2017			
	0-3 months £m	3-12 months £m	Over 1 year £m	Total £m	0-3 months £m	3-12 months £m	Over 1 year £m	Total £m
Trade and other payables:								
Trade payables	**327.4**	–	–	**327.4**	375.5	–	–	375.5
Other payables	**21.7**	–	1.1	**22.8**	20.4	–	0.7	21.1
Derivative liabilities at fair value through profit and loss	**0.1**	–	–	**0.1**	0.1	0.1	–	0.2
	349.2	–	**1.1**	**350.3**	396.0	0.1	0.7	396.8

Credit risk

The Group's credit risk is spread over a large number of counterparties and customers.

The Group is exposed to credit risk from counterparties to securities transactions during the period between the trade date and the ultimate settlement date if the counterparty fails either to deliver securities or to make payment. Settlement risk is substantially mitigated as a result of the delivery versus payment mechanism whereby if a counterparty fails to make payment the securities would not be delivered to the counterparty. Therefore the risk exposure is to an adverse movement in market prices between the time of trade and settlement. Conversely, if a counterparty fails to deliver securities, no payment would be made.

The trade receivables presented in the statement of financial position are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

Also included within trade and other receivables in the statement of financial position are term deposits, these are deposits with UK licenced banks for a period of three months or greater, where the Group does not have immediate recall on the cash. The maximum amount of time that these deposits are outstanding at year end is 13 months.

Cash is held with UK licensed banks. The credit risk on liquid funds is minimised by only depositing with UK-regulated banks and the Group takes a conservative approach to treasury management, carrying out regular reviews of all its banks' and custodians' credit ratings.

As at the end of the reporting period, no financial assets were individually determined to be impaired.

The following table discloses the Group's maximum exposure to credit risk on financial assets.

	At 30 June 2018 £m	At 30 June 2017 £m
Loans and receivables at amortised cost		
Cash and cash equivalents (including restricted cash)	**125.3**	81.4
Trade and other receivables	**352.7**	402.6
Term deposits	**222.0**	180.0
Financial assets at fair value through profit or loss		
Financial investments	**1.5**	4.1
Derivative financial assets	**0.2**	0.3
	701.7	668.4

NOTES TO THE GROUP FINANCIAL STATEMENTS OTHER

5.7 FINANCIAL INSTRUMENTS CONTINUED

The following table contains an analysis of financial assets that are past due but not impaired at the end of the reporting period. An asset is past due when the counterparty has failed to make a payment when contractually due.

	Neither impaired nor past due £m	0-3 months past due £m	3-6 months past due £m	6-12 months past due £m	Over 12 months past due £m	**Total £m**
At 30 June 2018						
Trade and other receivables:						
Trade receivables	339.9	6.0	1.1	1.0	0.6	**348.5**
Other receivables	4.2	–	–	–	–	**4.2**
Term deposits	222.0	–	–	–	–	**222.0**
Derivative assets	0.2	–	–	–	–	**0.2**
	566.3	6.0	1.1	1.0	0.6	**574.9**
Held-for-trading assets	1.5	–	–	–	–	**1.5**
	567.9	6.0	1.1	1.0	0.6	**576.4**
At 30 June 2017						
Trade and other receivables:						
Trade receivables	394.4	4.4	1.4	0.7	0.2	**401.1**
Other receivables	1.5	–	–	–	–	**1.5**
Term deposits	180.0	–	–	–	–	**180.0**
Derivative assets	0.3	–	–	–	–	**0.3**
	576.2	4.4	1.4	0.7	0.2	**582.9**
Held-for-trading assets	4.1	–	–	–	–	**4.1**
	580.3	4.4	1.4	0.7	0.2	**587.0**

During the year, we have provided for an amount of £nil (2017: £nil) in respect of receivables we do not expect to recover. At the end of the reporting period, £0.2 million (2017: £0.4 million) of receivables are impaired, all of which have been provided for in full. As a result, the carrying amount of impaired receivables is £nil (2017: £nil).

The following table shows the credit quality of financial assets that are neither past due nor impaired using the following counterparty grading:

- **Financial institutions**
  In respect of trade receivables, £103.8 million (2017: £96.6 million) is due from financial institutions regulated by the FCA in the course of settlement as a result of daily trading and £3.7 million (2017: £2.4 million) relates to revenue items due from financial institutions regulated by the FCA.
- **Individuals**
  In respect of trade receivables, the balance is related to amounts due from individual clients in the course of settlement as a result of daily trading.

The table below shows the credit category of financial assets that are neither past due nor impaired.

	Financial institutions £m	Corporate clients £m	Individuals £m	**Total £m**
At 30 June 2018				
Trade receivables	107.4	0.1	232.4	**339.9**
Other receivables	4.2	–	–	**4.2**
Term deposits	222.0	–	–	**222.0**
Derivative assets	–	–	0.2	**0.2**
Held-for-trading assets	1.5	–	–	**1.5**
	335.1	0.1	232.6	**567.8**
At 30 June 2017				
Trade receivables	101.2	0.2	293.1	**394.5**
Other receivables	1.5	–	–	**1.5**
Term deposits	180.0	–	–	**180.0**
Derivative assets	0.1	–	0.2	**0.3**
Held-for-trading assets	4.1	–	–	**4.1**
	286.9	0.2	293.3	**580.4**

Capital management

The Group's objectives when managing capital are i) to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; ii) to maintain a strong capital base and utilise it efficiently to support the development of its business and iii) to comply with the regulatory capital requirements set by the FCA. Capital adequacy and the use of regulatory capital are monitored by the Group's management and Board.

Regulatory capital is determined in accordance with the requirements of the Capital Requirements Directive IV prescribed in the UK by the FCA. The Directive requires continual assessment of the Group's risks in order to ensure that the higher of Pillar 1 (Minimum Capital Requirements) and Pillar 2 (Supervisory Review) requirements is met.

Pillar 1 imposes a minimum capital requirement on investment firms which is calculated as the higher of the sum of the credit and market risk capital requirements and the fixed overheads requirement (FOR). The FOR equates to 25% of the fixed overheads reported in the most recent audited financial statements.

Pillar 2 requires investment firms to assess firm-specific risks not covered by the formulaic requirements of Pillar 1 the objective of this being to ensure that investment firms have adequate capital to enable them to manage their risks. The Group completes its assessment of regulatory capital requirements using its ICAAP under Pillar 2, which is a forward looking exercise that includes stress testing on major risks, such as a significant market downturn, and identifying mitigating action.

As required by the FCA, Hargreaves Lansdown holds capital based on a multiple of Pillar 1 and maintains a significant surplus over this requirement at all times.

The Group manages its retained earnings, share capital and share premium which total £401.3 million as at 30 June 2018 (2017: £306.0 million). Surplus regulatory capital was maintained throughout the year at both a consolidated Group level, as well as at an individual regulated entity level. Under the requirements of Pillar 3 (Disclosure), the Group is required to disclose regulatory capital information, and has done so by making the disclosures available in the Group's website at www.hl.co.uk/investor-relations/pillar-3-disclosures.

NOTES TO THE GROUP FINANCIAL STATEMENTS OTHER

5.8 INTEREST IN UNCONSOLIDATED STRUCTURED ENTITIES

The Group has determined that the investment funds it manages are structured entities. Structured entities include entities that are designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when the relevant activities are directed by means of a contractual relationship. As the Group directs the investing activities of the ten Hargreaves Lansdown Multi-Manager funds and the two Hargreaves Lansdown Select funds, through its investment management agreements with them, it considers them to be structured entities. The Group holds interests in these funds through the receipt of management fees, together with direct investments in the entities. Investments in the funds have been designated at fair value through profit or loss (FVTPL).

The entities are entirely funded by the capital contributions associated with the purchase of units in the funds by unitholders and through return on investments. None of the entities have issued debt or has borrowings and none are reliant on the Group for any funding.

The Group does not sponsor any of the structured entities and there are no guarantees or commitments.

Where the Group has an equity holding in the funds, the maximum exposure to loss relates to future management fees should the market value of the funds decrease, plus the fair value of the Group's investment in that fund.

Structured entities with direct holdings

Direct investments in structured entities relate to box positions held by Hargreaves Lansdown Fund Managers Limited and through portfolios held in Hargreaves Lansdown Asset Management Limited that mimic holdings in the Portfolio Management Service and HL Portfolio+.

The table below shows the details of unconsolidated structured entities in which the Group has direct holdings as at 30 June 2018 and 30 June 2017.

	Type	Number of funds	Net AUM of funds £m	Financial assets at FVTPL £m	Annual management charge £m	Annual management charge receivable as at 30 June £m
2018	Unit Trust	12	9,559.4	0.2	67.1	6.0
2017	Unit Trust	12	8,784.6	0.2	56.4	5.4

PARENT COMPANY STATEMENT OF FINANCIAL POSITION

	Note	At 30 June 2018 £m	At 30 June 2017 £m
ASSETS			
Non-current assets			
Investments in subsidiaries	6.4	**43.8**	34.2
		43.8	34.2
Current assets			
Trade and other receivables	6.5	**247.7**	186.2
Cash and cash equivalents	6.6	**15.2**	15.4
Current tax asset		**–**	0.1
		262.9	201.7
Total assets		**306.7**	235.9
LIABILITIES			
Current liabilities			
Trade and other payables	6.7	**45.2**	32.6
		45.2	32.6
Net current assets		**217.7**	169.1
Total liabilities		**45.2**	32.6
Net assets		**261.5**	203.3
EQUITY			
Share capital	6.9	**1.9**	1.9
Retained earnings	6.9	**259.6**	201.4
Total equity		**261.5**	203.3

The Company recorded a profit for the financial year ended 30 June 2018 of £199.2 million (2017: £187.5 million).

The financial statements of Hargreaves Lansdown plc, registered number 02122142, on pages 143 to 149, were approved by the Board and authorised for issue on 6 August 2018.

Philip Johnson
Chief Financial Officer

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2018

	Share capital £m	Retained earnings £m	**Total equity £m**
At 1 July 2016	1.9	174.3	**176.2**
Profit and total comprehensive income	–	187.5	**187.5**
Increase in investment in subsidiaries	–	4.1	**4.1**
Dividend paid	–	(164.5)	**(164.5)**
At 30 June 2017	1.9	201.4	**203.3**
Profit and total comprehensive income	–	199.2	**199.2**
Increase in investment in subsidiaries	–	3.5	**3.5**
Dividend paid	–	(144.5)	**(144.5)**
At 30 June 2018	1.9	259.6	**261.5**

Details of the Company's dividends are as set out in note 3.2 to the consolidated financial statements.

PARENT COMPANY STATEMENT OF CASH FLOWS

	Note	**Year ended 30 June 2018 £m**	Year ended 30 June 2017 £m Restated*
Net cash from operating activities			
Cash generated from operations	6.8	**242.3**	199.5
Income tax rebate		**–**	0.1
Net cash from (used in) operating activities		**242.3**	199.6
Investing activities			
Increase in term deposits		**(92.0)**	(115.0)
Purchase of investment in subsidiary		**(6.0)**	–
Net cash used in investing activities		**(98.0)**	(115.0)
Financing activities			
Dividends paid to owners of the parent		**(144.5)**	(164.5)
Proceeds on disposal of investments		**–**	0.1
Net cash used in financing activities		**(144.5)**	(164.4)
Net (decrease) in cash and cash equivalents	6.6	**(0.2)**	(79.8)
Cash and cash equivalents at beginning of year	6.6	**15.4**	95.2
Cash and cash equivalents at end of year	6.6	**15.2**	15.4

* IAS 7 permits interest and dividends received to be classified as either investing or operating cash flows. Having previously treated such cash flows as investing activities, accounting policy has been changed to reclassify £199.0m of dividends received (2017: £188.2m) and £1.3m of interest received (2017: £0.1m) as operating. This is considered a better reflection of the entity's activities and therefore provides more relevant information about the effect of transactions on the entity's cash flows. The only impact of this change is on the presentation of the statement of cash flow.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

6.1 GENERAL INFORMATION

Hargreaves Lansdown plc (the "Company") is a company incorporated and domiciled in the United Kingdom under the Companies Act 2006 whose shares are publicly traded on the London Stock Exchange. The address of the registered office is One College Square South, Anchor Road, Bristol BS1 5HL, United Kingdom. The Company is the parent company of the Group, and the nature of the Group's operations and its principal activities are set out in the Operating and Financial Review.

The Company financial statements are presented in millions of pounds sterling which is the currency of the primary economic environment in which the Company operates.

Basis of preparation

The separate financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretation Committee (IFRS IC) interpretations as adopted by the European Union (EU), and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The Company financial statements are prepared on a going concern basis. The Directors believe that they have a reasonable expectation that the Company has adequate resources to continue in operational existence for 12 months from the date the financial statements are adopted.

The financial statements have been prepared on the historical cost basis. Accounting policies have been applied consistently throughout the current and prior financial year, except for as noted on page 146 in respect of cash flow presentation.

6.2 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Company are the same as those of the Group which are set out in the relevant notes to the consolidated financial statements, except that it has no policy in respect of consolidation and investments in subsidiaries are carried at historical cost, less any provisions for impairment.

6.3 PROFIT FOR THE YEAR

As permitted by Section 408 of the Companies Act 2006, no income statement or statement of comprehensive income is presented for the Company. The Company's profit after tax for the year was £199.2 million (2017: £187.5 million).

The Auditors' remuneration for audit and other services is disclosed in note 1.4 to the consolidated financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

6.4 INVESTMENT IN SUBSIDIARIES

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Investments in subsidiaries		
At beginning of year	**34.2**	18.2
Increase in investment in subsidiaries	**9.6**	16.0
At end of year	**43.8**	34.2
Comprising:		
Non-current investments – Investments in subsidiaries valued at cost less impairment	**43.8**	34.2

A list of the investments in subsidiaries is shown below, along with their country of incorporation and principal activity. Investments in subsidiaries are shown at cost, which is the fair value of the consideration paid. Unless otherwise disclosed below, all subsidiaries have one ordinary class of share only and all shares are held by Hargreaves Lansdown plc.

Subsidiary company name	Country of incorporation and principal	Company purpose/ function	Percentage ownership	Voting rights
Hargreaves Lansdown Advisory Services Limited	UK[1]	Advisory services	100%	100%
Hargreaves Lansdown Asset Management Limited	UK[1]	Unit trust and equity broking, investment fund management, life and pensions consultancy	100%	100%
Hargreaves Lansdown Fund Managers Limited	UK[1]	Unit trust management	100%	100%
Library Information Services Limited	UK[1]	Data provider	78%	78%
Hargreaves Lansdown Stockbrokers Limited	UK[1]	Stockbroking	100%	100%
Hargreaves Lansdown (Nominees) Limited	UK[1]	Nominee services	100%	100%
Hargreaves Lansdown Insurance Brokers Limited	UK[1]	Investment company†	100%	100%
Hargreaves Lansdown Investment Management Limited (100% shares held by Hargreaves Lansdown Fund Managers Limited)	UK[1]	Dormant company*	100%	100%
Hargreaves Lansdown Savings Limited (formerly Hargreaves Lansdown IT & Administration Services Limited)	UK[1]	Cash services	92.5% – Ordinary 100% – Class A	92.5%
Hargreaves Lansdown Savings (Nominees) Limited (100% shares held by Hargreaves Lansdown Savings Limited)	UK[1]	Dormant company*	92.5%	100%
Hargreaves Lansdown Pensions Limited (100% shares held by Hargreaves Lansdown Advisory Services Limited)	UK[1]	Dormant company*	100%	100%
Hargreaves Lansdown Pensions Trustees Limited	UK[1]	Dormant company*	100%	100%
Hargreaves Lansdown EBT Trustees Limited	UK[1]	Trustee of the Employee Benefit Trust†	100%	100%
Hargreaves Lansdown Trustee Company Limited	UK[1]	Trustee of the Share Incentive Plan†	100%	100%
HL Tech Sp. Z O. O. (100% shares held by Hargreaves Lansdown Asset Management Limited)	Poland[2]	Service Company	100%	100%

* Exempt from the requirements to prepare, file and audit individual financial statements under s394A and s448A of Companies Act 2006.
† Exempt from the requirement for audit under s479a of the Companies Act 2006.
1 Registered address: One College Square South, Anchor Road, Bristol BS1 5HL.
2 Registered address: ul. John Paul II Avenue, No. 22. Warsaw, 00-133, Poland.

6.5 TRADE AND OTHER RECEIVABLES

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Financial assets		
Amounts receivable from subsidiaries and EBT	**39.9**	71.1
Term deposits	**207.0**	115.0
	246.9	186.1
Non-financial assets		
Prepayments	**0.8**	0.1
	247.7	186.2

6.6 CASH AND CASH EQUIVALENTS

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Cash and cash equivalents		
Company cash and cash equivalent balances	**15.2**	15.4

Cash and cash equivalents comprise cash and institutional cash funds with near-instant access.

No disclosures for financial instruments have been made in respect of the Company as the only significant financial instruments held by the Company are cash and term deposit balances as shown above.

6.7 TRADE AND OTHER PAYABLES

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Financial liabilities		
Amounts payable to subsidiaries	**45.0**	32.3
Other payables	**0.1**	0.1
	45.1	32.4
Non-financial liabilities		
Deferred income	**0.1**	0.2
	45.2	32.6

Amounts payable to subsidiaries comprise short-term borrowing from subsidiaries, repayable on demand. The fair values of amounts owed to subsidiaries are equal to their carrying amounts.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

6.8 NOTES TO THE COMPANY STATEMENT OF CASH FLOWS

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m Restated*
Profit for the year after tax	**199.2**	187.5
Adjustments for:		
Income tax credit	**–**	(0.2)
Operating cash flows before movements in working capital	**199.2**	187.3
Decrease in trade receivables	**30.5**	11.2
Increase in trade payables	**12.6**	1.0
Cash generated from operations	**242.3**	199.5

*Restated in line with the Parent Company Statement of Cash Flows

6.9 SHARE CAPITAL

Details of the Company's share capital are as set out in note 3.1 to the consolidated financial statements.

The share premium account represents the difference between the issue price and the nominal value of shares issued and was unchanged at £8,000 throughout the 2017 and 2018 financial years.

The capital redemption reserve relates to the repurchase and cancellation of the Company's own shares and was unchanged at £12,000 throughout the 2017 and 2018 financial years.

Details of the movements in retained earnings are set out in the parent company statement of changes in equity.

6.10 RELATED PARTY TRANSACTIONS

The key management personnel of the Group and the Company are the same. The relevant disclosures are given in note 5.6 to the consolidated financial statements.

The Company has two employees (2017: three).

The cost of providing share scheme benefits to the employees of the subsidiaries is not charged directly to the subsidiaries. Instead, the Company provides a capital contribution to its subsidiaries in respect of these schemes.

The Company entered into the following transactions with subsidiaries and the Employee Benefit Trust, which are related parties.

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Dividends received from subsidiaries	**199.0**	188.2
Management charges to subsidiaries	**0.7**	0.7
Capital contribution to subsidiaries	**9.6**	16.0
Amounts owed by related parties at 30 June	**39.9**	71.1
Amounts owed to related parties at 30 June	**45.0**	32.3

Any amounts outstanding with related parties are unsecured and will be settled in cash. No guarantees have been given or received in respect of amounts outstanding. No provisions have been made for doubtful debts in respect of the amounts owed by the related parties.

6.11 EVENTS AFTER THE REPORTING PERIOD

Events after the reporting period are shown in note 5.5 of the consolidated financial statements on page 135.

6.12 FINANCIAL RISK MANAGEMENT

Note 5.7 to the consolidated financial statements includes the Group's policy on capital management, its exposure to financial risks and its policies and processes to manage those risks. There are financial instruments in the Company made up of amounts receivable from subsidiaries and the Employee Benefit Trust and amounts payable to subsidiaries. The nature and extent of risks arising from these financial instruments are as follows:

Liquidity risk

The Company is exposed to liquidity risk, namely the risk that it may be unable to meet its payment obligations as they fall due. The payment obligations primarily relate to amounts payable to subsidiaries which are more than offset by the amounts owed from subsidiaries. In addition, the Company holds significant cash balances on short-term deposit to ensure that it has sufficient available funds to meet its obligations and fund its operations.

At the end of the reporting period, none of the liabilities of the Company are past due or represent a significant long-term liability.

Credit risk

Credit risk is the risk that a counterparty fails to perform its financial obligations, resulting in financial loss; however, the amounts owed to the Company are primarily from its own subsidiaries. Given the profitability and net assets of the majority of subsidiaries, credit risk is felt to be minimal.

As per the wider Group, cash is held with UK licensed banks. The credit risk on liquid funds is minimised because the counterparties are banks with strong credit ratings assigned by international credit rating agencies. The Group takes a conservative approach to treasury management and selection of banking counterparties, and carries out regular reviews of all its banks' and custodians' credit ratings.

As at the end of the reporting period, no financial assets were individually determined to be impaired. The balance of assets past due is immaterial.

The following table discloses the Company's maximum exposure to credit risk on financial assets.

	At 30 June 2018 £m	At 30 June 2017 £m
Loans and receivables at amortised cost		
Cash and cash equivalents	**15.2**	15.4
Included within trade and other receivables:		
Term deposits	**207.0**	115.0
Amounts receivable from subsidiaries and EBT	**39.9**	71.1
Other receivables	**–**	0.1
	262.1	201.6

04 OTHER INFORMATION

DIRECTORS, COMPANY SECRETARY, ADVISERS AND SHAREHOLDER INFORMATION

Executive Directors
Chris Hill
Philip Johnson

Non-Executive Directors
Deanna Oppenheimer
Fiona Clutterbuck
Shirley Garrood
Roger Perkin
Stephen Robertson
Jayne Styles

Company Secretary
Paula Watts

Independent auditors
PricewaterhouseCoopers LLP, London

Solicitors
Osborne Clarke LLP, Bristol

Principal bankers
Lloyds Bank Plc, Bristol

Brokers
Barclays
Numis Securities Limited

Registrars
Equiniti Limited

Registered office
One College Square South Anchor Road
Bristol BS1 5HL

Website
www.hl.co.uk

Company number
02122142

FIVE YEAR SUMMARY

	2018 £m	2017 £m	2016 £m	2015 £m	2014 £m
Revenue	**447.6**	**385.7**	**388.3**	**395.1**	**358.4**
Commission payable/loyalty bonus	(0.1)	(0.1)	(61.8)	(100.9)	(66.5)
Net revenue[1]	**447.5**	**385.6**	**326.5**	**294.2**	**291.9**
Fair value gains on derivatives	2.3	2.2	0.0	0.0	0.0
Operating costs	(158.7)	(126.7)	(108.2)	(96.1)	(83.8)
Operating profit	**291.1**	**261.1**	**218.3**	**198.1**	**208.1**
Finance income	1.5	1.2	0.6	1.0	1.8
Finance csots	(0.2)	–	–	–	–
Other gains	–	3.5	–	–	0.0
Profit before tax	**292.4**	**265.8**	**218.9**	**199.1**	**209.9**
Tax	(55.7)	(53.8)	(41.6)	(41.8)	(47.1)
Profit after tax	**236.7**	**212.0**	**177.3**	**157.3**	**162.8**
Non-controlling interests	(0.4)	(0.3)	(0.4)	(0.6)	(0.6)
Profit for the financial year attributable to owners of the parent company	235.3	211.7	176.9	156.7	162.2
Equity shareholders' funds	404.0	306.9	253.7	236.6	227.8
Weighted average number of shares for the purposes of diluted EPS (million)	475.41	474.73	474.72	473.72	474.37

	Pence	Pence	Pence	Pence	Pence
Equity dividends per share paid during year	30.5	34.8	33.5	32.3	30.29
Basic earnings per share	49.7	44.7	37.4	33.2	34.5
Diluted earnings per share	49.6	44.6	37.3	33.1	34.2

1 Following the implementation of the Retail Distribution Review in March 2014, the gross reported revenue was boosted by a new revenue stream and at the same time loyalty bonuses paid to Vantage clients were significantly increased. In order to better compare revenue performance across the five years above, net revenue which is total revenue less the commission payable and loyalty bonus has been shown.

GLOSSARY OF ALTERNATIVE FINANCIAL PERFORMANCE MEASURES

Within the report and financial statements various alternative financial performance measures are referred to, which are non-GAAP (Generally Accepted Accounting Practice) measures. They are used in order to provide a better understanding of the performance of the Group and the table below states those which have been used, how they have been calculated and why they have been used.

Measure	Calculation	Why we use this measure
Dividend pay-out ratio (%)	The total dividend per share divided by the earnings per share (EPS) for a financial year.	Provides a measure of the level of profits paid out to shareholders and the level retained in the business.
Dividend per share (pence per share)	Total dividend payable relating to a financial year divided by the total number of shares eligible to receive a dividend. Note ordinary shares held in the Hargreaves Lansdown Employee Benefit Trust have agreed to waive all dividends.	Dividend per share is pertinent information to shareholders and investors and provides them with the ability to assess the dividend yield of Hargreaves Lansdown plc shares.
Operating costs	The costs as per the income statement excluding commission payable (i.e. the aggregate of staff costs, other operating costs and FSCS costs).	In light of the transitional period relating to the Retail Distribution Review (see net revenue below) and the impact this had on commission payable in the form of loyalty bonuses, this measure of operating costs provides a more useful comparative measure over time.
Operating profit margin	Profits after deducting operating costs but the impact of finance income and other gains or losses divided by revenue.	Provides a measure of profitability of the core operating activities and excludes non-core items.
Net revenue (£) (See consolidated income Statement on page 111 for the reconciliation of net revenue)	Total revenue less commission payments which are primarily loyalty bonuses paid to Vantage clients.	Because of the changes brought about to the client charging structure by the Retail Distribution Review ("RDR") there was a transitional period (from 1 March 2014 to 1 April 2016). From 1 March 2014, revenue was increased as Hargreaves Lansdown earned both a new platform fee from clients and the existing renewal commission from the fund management groups based on the value of funds held by clients. At the same time the loyalty bonus paid to clients was significantly increased on the pre-RDR funds to largely mitigate the impact of the new platform fee. In order to aid comparability during the period of transition to 1 April 2016 the net revenue measure became the most useful comparative measure of revenue as it better reflected the underlying income relating to funds held by clients.
Net recurring revenue	The total value of renewal commission (after deducting loyalty bonuses) platform fees, management fees and interest earned on client money.	Provides a measure of the quality of our earnings. We believe recurring revenue provides greater profit resilience and hence is of higher quality than non-recurring revenue.

Measure	Calculation	Why we use this measure
Percentage of recurring net revenue (%)	The total value of renewal commission (after deducting loyalty bonuses), platform fees, management fees and interest earned on client money divided by the total net revenue.	Provides a measure of the quality of our earnings. We believe recurring revenue provides greater profit resilience and hence is of higher quality than non-recurring revenue.
Net revenue margin (bps)	Total net revenue divided by the average value of assets under administration which includes the Portfolio Management Services assets under management held in funds on which a platform fee is charged.	Provides the most comparable means of tracking, over time, the margin earned on the assets under administration and is used by management to assess business performance.
Net revenue margin from cash (bps)	Net revenue from cash (net interest earned on the value of client money held on the platform divided by the average value of assets under administration held as client money).	Provides a means of tracking, over time, the margin earned on cash held by our clients.
Net revenue margin from funds (bps)	Net revenue derived from funds held by clients (platform fees, initial commission less loyalty bonus) divided by the average value of assets under administration held as funds, which includes the Portfolio Management Services assets under management held in funds on which a platform fee is charged.	Provides the most comparable means of tracking, over time, the margin earned on funds held by our clients.
Net revenue margin from HL Funds	Management fees derived from HL Funds (but excluding the platform fee) divided by the average value of assets held in the HL Funds.	Provides a means of tracking, over time, the margin earned on HL Funds.
Net revenue margin from shares (bps)	Net revenue from shares (stockbroking commissions, management fees where shares are held in a SIPP or ISA, less the cost of dealing errors) divided by the average value of assets under administration held as shares.	Provides a means of tracking, over time, the margin earned on shares held by our clients.
Recurring revenue	Revenue that is received every month depending on the value of assets held on the platform, including platform fee, management fees and interest earned on client money.	We believe recurring revenue provides greater profit resilience and hence is of higher quality than non-recurring revenue.
Transactional revenue	Revenue that is non-recurring in nature and dependent on a client instruction such as a deal to buy or sell shares or take advice.	Such revenue is not as high quality as recurring revenue but helps to show the diversification of our revenue streams.

GLOSSARY OF TERMS

A

AGM Annual General Meeting

AIFMD Alternative Investment Fund Managers Directive

AML Anti Money Laundering

Asset retention rate Based on the monthly lost AUA as a percentage of the opening month's AUA and averaging for the year

AUA Assets Under Administration. This is the value of all assets administered or managed by Hargreaves Lansdown on behalf of its clients

AUM Assets Under Management is the value of all assets managed by Hargreaves Lansdown Fund Managers

B

Basic EPS Basic earnings per share

BCP Business Continuity Plan

Board The Board of Directors of Hargreaves Lansdown plc

C

CASS Client Assets Sourcebook

Client retention rate Based on the monthly lost clients as a percentage of the opening month's total clients and averaging for the year

CODM Chief Operating Decision Maker

Company Hargreaves Lansdown plc

Corporate Schemes This related to HL Workplace Solutions which allows employers to offer the benefits of the Hargreaves Lansdown Vantage service to employees via the workplace

CRD IV Capital Requirements Directive IV

CRO Chief Risk Officer

D

D2C Direct to Consumer

Diluted EPS Diluted earnings per share

DR Disaster Recovery

DTR The FCA's Disclosure and Transparency Rules

E

EBT Employee Benefit Trust

F

FCA Financial Conduct Authority, regulator of the UK financial services industry

FRC Financial Reporting Council

FSCS Financial Services Compensation Scheme

FTE Full-time equivalent employees

FVTPL Fair value through profit or loss

G

GAAP Generally Accepted Accounting Principles

GDPR General Data Protection Regulation

Group Hargreaves Lansdown plc and its controlled entities

H

HL Hargreaves Lansdown

HMRC HM Revenue and Customs

I

IAS International Accounting Standards

ICAAP Internal Capital Adequacy Assessment Process

IFRS International Financial Reporting Standards

ISA Individual Savings Account

IT Information Technology

K

KPI Key Performance Indicator

L

LISA Lifetime ISA

Listing Rules Regulations subject to the oversight of the FCA applicable to companies listed on a UK stock exchange

Loyalty bonus A reward to customers for holding certain collective investments within the Vantage wrapper. This is paid on a regular basis as a percentage of qualifying assets

LTIP Long-term incentive plan

M

MiFID II Markets in Financial Instruments Directive II

MLRO Money Laundering Reporting Officer

Multi-Manager funds A range of funds offered by Hargreaves Lansdown which are managed under the Fund of Funds format

N

Net new business (NNB) Represents subscriptions, cash receipts, cash and stock transfers in less cash withdrawals, cash and stock transfers out

Net new clients Represents the net of new clients less lost clients in the period

Number of new clients Unique number of clients holding at least one account (PMS, ISA, SIPP or Fund and Share Account) with a value greater than £100 at the year end

NPS Net Promoter Score

Net revenue Total revenue less commission paid, which is primarily the loyalty bonus paid to clients

O

ONS Office for National Statistics

Organic growth Growth in assets under administration can be attributed to two main causes. The first is growth due to the appreciation in the value of existing assets and the second is organic growth through additional contributions

P

Pillar 1 and 2 capital requirements The Basel Committee on Banking Supervision set out certain capital requirements which must be met by qualifying financial institutions

Pillar 3 A set of disclosure requirements which enable the market to assess informationon firm's risks, capital and risk management procedures

Platforum The advisory and research business specialising in investment platforms which compiles the Direct Platform Guide

PMS Portfolio Management Service

PSD2 The second Payment Services Directive

R

RDR Retail Distribution Review

S

SAYE scheme Save As You Earn scheme

SIPP Self-invested Personal Pension

SMCR Senior Managers and Certification Regime

T

Treating clients fairly A central concept to the Financial Services Authority's retail regulatory agenda, which aims to ensure an efficient and effective market and thereby help consumers achieve a fair deal

U

UCITS Undertakings for Collective Investment in Transferable Securities

UK Corporate Governance Code A code with sets out standards for best boardroom practice with a focus on Board leadership and effectiveness, remuneration, accountability and relations with shareholders

V

Vantage The Group's flagship service, Vantage, is a direct-to-investor platform

W

W150 Wealth 150, which is our selection of the best funds available to UK investors

W150+ A subset of the Wealth 150 funds which we believe offer the ultimate combination of first-class long-term performance potential and low management charges

Y

Year end/financial year Our financial year starts on 1 July and ends on 30 June

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