Report and Financial Statements 2019

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EMPOWERING PEOPLE TO SAVE AND INVEST WITH CONFIDENCE

HARGREAVES LANSDOWN

EMPOWERING PEOPLE TO SAVE AND INVEST WITH CONFIDENCE

1.2M+ CLIENTS

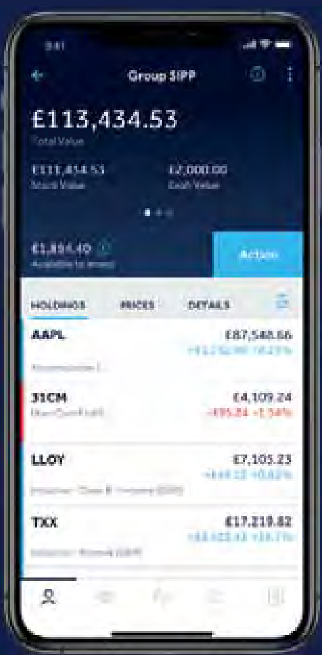
1,224,000 active clients, up 133,000 in the year (2018: 1,091,000)
Net Promoter Score℠ of 48.7[1] (2018: 50.3)

£7.7BN GROWTH

Growth of £7.7 billion in Assets under administration (AUA)
Net new business inflows of £7.3 billion (2018: £7.6bn)
AUA up 8% to £99.3 billion (2018: £91.6bn)

£305.8M PROFIT

Profit before tax £305.8 million, up 5% (2018: £292.4m)
Dividend 42.0p, up 5% (2018: 40.0p)
Net revenue £480.5 million, up 7% (2018: £447.5m)



The HL app for mobile and iPad
Our award-winning app is free to download for iPhone, Android™ and iPad

Fast and simple trading
Free live share prices for HL clients

Log in to know what's happening, as it happens.

Swipe to start trading
Trade UK shares, bonds and funds as well as overseas shares from Europe, the US and Canada.

Watch your favourites
Create watchlists to keep an eye on your favourite investments.

https://www.hl.co.uk/apps#mobile

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.

Who we are

We are the UK's largest direct to investor investment service. For more than 37 years, we have helped investors save time, tax and money on their investments. Today we are trusted with more than £99 billion by 1,224,000 clients.

Hargreaves Lansdown is a secure, FTSE 100 company. We are based in Bristol where we now employ over 1,580 people.

What we do

We aim to help you make more of your investments by giving you the tools and information to make your own informed decisions. From our award-winning website and app, which give you access to your investments anytime, to our specialist helpdesk, our aim is to simplify your financial life by making it easy and straightforward to manage your investments and pensions.

FIND OUT MORE

Our market opportunities see page 6
The opportunities and challenges presented by our market environment.

Our business model see page 12
How we're driving value.

Our vision and strategy see page 20
How we're addressing our most significant opportunities and challenges.

Our progress see page 32
The results we've achieved this year.

Our Corporate social responsibility see page 40
Our commitments and aspirations.

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

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.

2019 in numbers

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

858,000+
ISA accounts

£40 BILLION+
ISA AUA

54,000+
Lifetime ISA clients

£9.4 BILLION
HL Fund Manager AUM

110,000+
Junior ISA accounts

457
Corporate schemes

115,000+
Corporate scheme members

406,000+
SIPP accounts

£32 BILLION+
SIPP AUA

365,000+
Fund and Share accounts

£24 BILLION+
Fund and Share AUA

£1 BILLION
Active Savings AUA

£3.4 BILLION
Portfolio Management Service AUA

40.5%
Platforum UK D2C market share

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Chair’s statement

DEANNA OPPENHEIMER
CHAIR

EMBEDDING THE RIGHT CULTURE

Embedding the right culture and behaviour throughout the business

Overview and strategy

It gives me great pleasure to introduce our 2019 Report and Financial Statements. During the year we made significant strategic and operational progress, which enabled us to deliver strong growth in client numbers and AUA leading to continued growth in profit before tax, up 5% to £305.8 million.

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

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

To bring these values to life we have defined behaviours that are being embedded into the way we set objectives and measure performance across the whole business. Delivering on these values ensures we stay true to our purpose.

> It goes without saying that returns for our shareholders are of paramount importance. In order to build a business that is truly sustainable in the long term, the Board has placed increased focus on how we engage with a much wider range of stakeholders.

The Board is committed to delivering high standards of corporate governance and embedding the right culture and behaviour throughout the business. This determines not only how we interact with our clients, but also our employees, our shareholders, the communities in which we live, our regulators and all parties we interact with on a regular or one-off basis.

Many of you will be aware that on 3 June 2019 trading was suspended in the high profile Woodford Equity Income Fund. On behalf of Hargreaves Lansdown, I deeply regret the distress, uncertainty and inconvenience this has caused to many of our clients. Our top priority has been, and remains, to help our clients through this difficult period and make sure that we are doing everything we can to help them. We have been in regular contact with the relevant parties to get a resolution and will continue to keep our clients updated. We are determined to listen, reflect and learn from this issue and implement changes to benefit our clients in the future.

Board governance and changes

Back in August 2018, an external Board effectiveness review was undertaken and during this financial year we have worked on implementing various recommendations in order to deliver even higher levels of corporate governance. Examples include an in-depth review of the Group’s governance structure and improving the Board’s involvement in the Group’s move to statistical modelling for setting Pillar II capital as part of its ICAAP, enabling increased scrutiny at Board level. More detail on the actions we have taken can be found in the Governance report.

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. During the year we commenced a search for a new Non-Executive Director with expertise in information technology. A rigorous selection process was undertaken and on 1 June 2019 I was delighted to confirm the appointment of Dan Olley to the Board and as a member of the Risk Committee. Dan is a seasoned senior technology leader with a track record of driving digital transformations in established businesses, including the financial services sector. He has operated in growth-focused organisations and brought his expertise to technology leadership roles by combining a high degree of commercial awareness with a strong technical and product management background.

Although the year has seen significant economic uncertainty, largely as a result of Brexit and the imposition of tariffs on international trade, the executive leadership

1,224,000
Total number of clients

£99.3 BILLION
Total AUA

team have continued to effectively drive our strategy and vision to be "known as the best place for savers and investors in the UK". Investment in our people, marketing and technology are key to delivering a high quality and engaging experience that drives the accumulation of assets and growth in profits. Our Chief Executive, Chris Hill, will review the progress we have made on our strategic priorities in what has been another value creating year.

As a growing business, I am also aware of the need to focus on improving the communities around us. During the year we have increased our support through the work of the HL Foundation.

Our people
In my role as Chair, I have the opportunity to meet with many employees across the organisation and I am consistently impressed with their quality, client focus and engagement with the continued evolution of the business. Our people remain our greatest asset and we continue to invest to develop, promote and recruit the people and skills required for a growing business, which also enables us to benefit from diversity of thought, backgrounds and life experiences. This helps us to meet the challenge of faster-paced innovation, to leverage technological advancements and to deliver a more tailored and engaging service to our wide range of clients.

On behalf of the Board, I would like to thank all our people for their dedication and relentless client focus throughout the year.

Dividend
In line with our stated dividend policy, the Board recommends, subject to shareholder approval at the AGM, payment of a final dividend of 23.4p per share. In addition, the Board has today declared a special dividend of 8.3p per share.

An interim ordinary dividend of 10.3p per share was paid on 11 March 2019. Taking this into account, the total ordinary dividend for the year will be 33.7p per share (2018: 32.2p), an increase of 5% on last year. Adding the special dividend gives a total dividend of 42.0p per share (2018: 40.0p), an increase for 2019 of 5%.

Subject to shareholder approval of the final dividend at the AGM to be held on Thursday 10 October 2019, the final and special dividends will be paid on 18 October 2019 to all shareholders on the register at the close of business on 27 September 2019.

Outlook
Although Brexit and economic uncertainty along with the impacts on markets and consumer confidence remain, Hargreaves Lansdown has a proven strong track record of organic growth and growing market share through consistent focus on clients and the use of technology to broaden our proposition. We have and will continue to learn from our challenges to ensure we can make the most of our existing and new opportunities.

The need for individuals and families to save and invest for their financial futures remains as strong as ever and this helps to grow our already significant addressable UK market opportunity. The fundamentals of our strategy remain the same and I am confident that the Board and management team have the right plans in place to continue delivering a market leading proposition and service that meets the long-term needs of clients, enabling further growth for the benefit of our shareholders and wider stakeholders.

Deanna Oppenheimer
Chair

7 August 2019

AN 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 billion[1]. 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. Despite the growing need for higher savings the UK savings rate has been declining which presents both a challenge but, more importantly, an opportunity for Hargreaves Lansdown and the rest of the UK Savings industry to help bridge this gap.

The Advice Gap – post the Retail Distribution Review (RDR) cost effective advice has been increasingly difficult to find. Many advisers left the industry and those remaining concentrated on their wealthier clients to whom they were now charging a direct fee. Although adviser numbers are starting to climb again they are still 14% below their pre-RDR peak creating a large advice gap particularly at the mass affluent end of the market.

In addition, successive UK governments implementing further changes to 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

Client segmentation

Given wealth	Starting independent life	Saving for the future	At retirement	In retirement	Later life
Junior ISA	**Lifetime ISA**		**Drawdown:** *Helping clients understand and manage income via new income tools*		
	Pensions: *Helping clients save for their future retirement*				
	Workplace: *Workplace Solutions for auto-enrolled and corporate investors*				
		ISAs: *A tax efficient means of saving*			
		General Investment Accounts: *Enabling investment outside of a pension or ISA tax wrapper*			
Investment solutions: *Simply Invest helps people get started / Portfolio+ for less confident investors / Wealth 50 selection for investors who wish to choose their own funds*					
Active Savings: *Providing one-stop cash solutions via active savings*					
Advice					

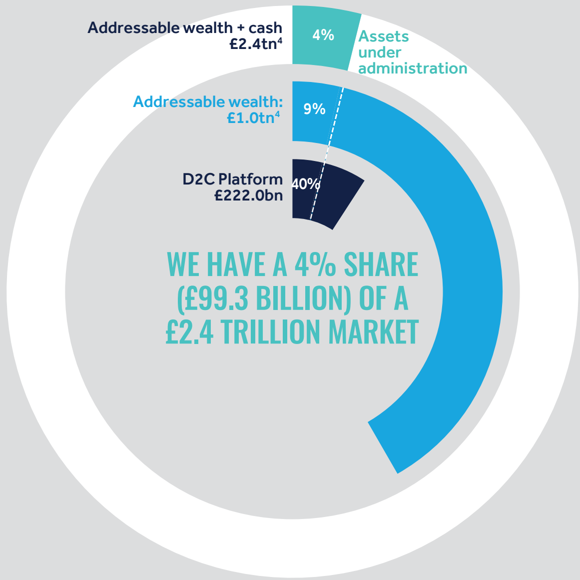
Our opportunity

Significant addressable market undergoing structural change

- People are living longer
- Shift of wealth to older clients
- Complex savings environment
- Ongoing low asset yields
- Market volatility
- Political uncertainty

Clients need help...
- Help to understand
- Help to manage
- Just make it simple for them to do

...and want exceptional experience
- Compelling proposition
- Excellent service
- Tailored client engagement



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£1.0 trillion as addressable, giving an implied market share for Hargreaves Lansdown of about 9%. 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 onto our platform.

This £1.0 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 adult 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 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 onto platforms has helped drive the UK D2C platform market to £222.0 billion, of which Hargreaves Lansdown has a 40.5%[2] market share.

The D2C platform market grew by 7.4%[2] in the past year and forms part of the wider D2C market worth £616.9 billion which grew at 9.9%[3].

Significant other shares of the D2C market include £285.7 billion held by pension and insurance providers and £67.4 billion[3] held by wealth managers in execution only assets, both of which provide a source of transfer business to Hargreaves Lansdown.

Industry expert, Platforum, also estimates that £32 billion[3] 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 books from fund management groups.

1 Source: "Mind the Gap" (Aviva and Deloitte, September 2016)
2 Platforum UK D2C Market Update, July 2019
3 Platforum UK D2C Market Size and Structure, February 2019
4 Oliver Wyman. Addressable wealth includes self-directed, financial adviser and independent wealth manager segments mainly serving upper affluent.

Market opportunities continued

During the year, we acquired direct books from Witan Investment Services, J.P. Morgan Asset Management and Baillie Gifford.

This takes the total number of such acquisitions to nine having previously completed deals with the likes of Jupiter, Legg Mason and BlackRock. We continue to pursue similar deals working with fund groups and the FCA to ensure affected clients can be transitioned effectively to a superior and more engaging service such as ours.

Although there is a significant addressable market for execution only investing, financial advice 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 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 changes 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 2018, the Stocks and Shares ISA market was estimated at £337 billion with an additional £270 billion held in Cash ISAs and £4 billion in Junior ISAs. Based on recent HMRC data, the average annual amount subscribed into ISAs over the past four tax years has been c£73 billion. These statistics clearly demonstrate a significant opportunity to gather more assets into our core ISA products.

Lifetime ISA

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 2019 we have over 54,000 accounts with £384 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 potentially to 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.

Junior ISA

Since their introduction in November 2011, Junior ISAs have proved popular and Hargreaves Lansdown is now the largest provider of Stocks and Shares Junior ISAs, with an estimated 34% market share as at 5 April 2018 (based on HMRC ISA statistics). Engaging with investors at a young age provides us with the opportunity to build a relationship that will hopefully transfer into their adult years and potentially through their lifetime. Before the Junior ISA, the Government between September 2002 and January 2011 operated a Child Trust Fund scheme (CTF). Cash was given to each child along with the opportunity for parents or guardians to add to the investment subject to an annual limit. Some six million accounts were set up and are due to mature between 2020 and 2029. Although many of these CTFs will be small in value they present an opportunity to engage with a distinct segment of the population with a view to them becoming adult savers and investors on our platform.

Pensions

Pension auto-enrolment in the UK is now approaching steady state, with over one million employers and more than 10 million employees now participating in the programme. From 6 April 2019, the minimum contribution is 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.

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, can really make a difference by improving employee engagement with saving through a range of high quality services.

Auto-enrolment has delivered demonstrable successes, however, Hargreaves Lansdown continues to lobby for further reform.

There are still some nine million employees who have not been auto-enrolled due to not being eligible and many of these should be enjoying the benefit of employer contributions into a workplace pension.

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 very few of them are saving in a pension. The majority pass through employment before becoming self-employed. However, there are few mechanisms in place to keep them in the pension system as they move from employed to self-employed. In addition, every time someone changes their job, they

Developing the proposition: Active Savings

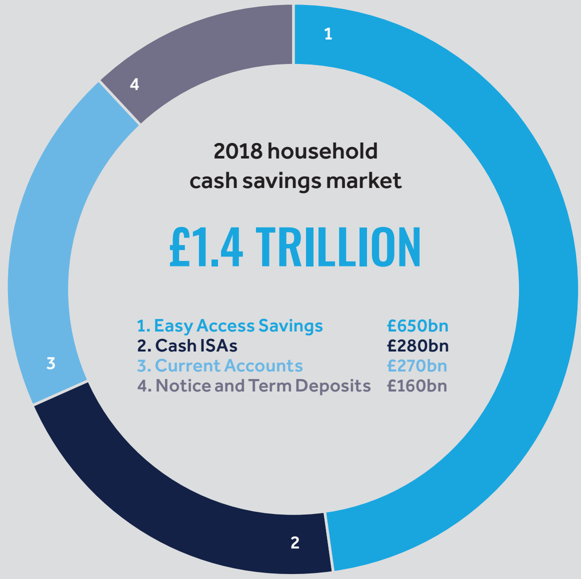
Making savings fair and simple

Savers need solutions

- Poor interest rate information
- Difficult to manage multiple accounts
- Hard to switch providers
- 40% of savers have never switched

Active Savings marketplace

- More consistent returns
- Greater transparency – know the rate and when it expires
- Simple switching: nine banks, over 20 products, one easy log in
- Easy for clients to manage cash alongside their investments



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 development of pension dashboards continues and may in time provide individuals with a comprehensive view of all their pensions in one place. Whilst we are actively supporting this project, we do not expect a quick result. In the meantime we are also collaborating with other industry participants in the development of systems to allow investors to view through a single access point, all their financial assets across a wide range of financial institutions.

The impact of the introduction of Pension Freedoms in 2015 has been immense and whilst they have proved understandably popular with investors, regulation continues to evolve to protect investors from the financial risks the freedoms present. The free Pension Wise service is still not widely used and the FCA is introducing stronger prompts to encourage people to shop around, as well as consulting on investment pathways for non-advised drawdown investors. Better investor engagement with their retirement savings and the decisions they can take to improve their financial futures is a high priority. Hargreaves Lansdown is committed to being at the forefront in helping people meet this challenge. 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.

In January, the FCA published its second consultation paper and first policy statement for its Retirement Outcomes Review. There are new requirements for wake-up packs, enhanced annuity comparisons and illustrations, a proposal for investment pathways and cash warnings for non-advised drawdown, subject to consultation. Such requirements will take time and effort to embed into our processes but we already have a team dedicated to delivering them along with looking at various retirement solutions that would benefit our clients.

Demographic pressures have not abated. Notwithstanding the progress achieved through auto-enrolment, the UK still faces a significant retirement saving challenge. This is likely to be exacerbated by the developing financial challenge presented by the increasing cost of providing social care. There is continued government support for retirement saving and an increased emphasis on personal responsibility and engagement. Hargreaves Lansdown is likely to be a beneficiary from this trend as we are a market leader at customer service, simplifying pensions and making it easy for people to save and invest with confidence.

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 £1.4 trillion of cash held in the UK including c£650 billion in easy access type accounts. Back in December 2017, we soft launched 'Active Savings', our digital deposit service that provides a solution for managing cash savings. In September 2018, having refined the proposition, we began to actively market it to our clients. In January 2019, alongside the initial offer of term deposits we also launched an easy access product widening the appeal of the service.

Market opportunities continued

As at 30 June 2019 we had over 27,000 clients using the service with just under £1 billion AUA.

Clients holding risk based investments invariably have cash held elsewhere so utilising Active Savings becomes a natural extension of their interaction with us and enables us to become ever more part of their financial lives.

Active Savings remains a key part of our growth strategy and through additional functionality and more banking partners we will widen the appeal to existing clients and provide a significant marketing opportunity to attract new clients, particularly if we return to a more normal interest rate environment.

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 the awareness of saving and investing we see this as a good thing. Financial education and awareness in the UK is relatively low and hence high quality, client focused companies like ours have a key role in addressing these issues. Healthy competition ultimately delivers better outcomes for investors.

Achieving scale is key to becoming successful and 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. Hargreaves Lansdown does not rest up and 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. 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 continued to engage with the FCA on its Investment Platform Market Study, which looks at how competition is working in the market and whether platforms offer value for money to investors. The interim findings were published on 16 July 2018 following which there was a consultation period where we provided feedback on the initial findings and proposed remedies. The final report was subsequently published on 14 March 2019. The FCA confirmed its view that the platform market is mainly working well, that there isn't excessive profitability, that consumers who pay more get more and that platforms help consumers make informed investment decisions.

The FCA, however, did cite the need to make transfers between platforms easier. It is proposing rules to allow consumers to switch platforms and remain invested, even if their unit classes are not available on the new platform. In addition, they have discussed a ban on exit fees on platforms offering "comparable services to retail clients." This potentially extends the impact of a ban beyond investment platforms and so the FCA is taking time to do more work before implementing changes. An initial consultation was undertaken ending 14 June 2019. Hargreaves Lansdown along with other stakeholders responded on how an exit fee should be defined, the scope of intervention and whether there should be a ban or cap on fees. Subject to the consultation, the FCA expects rules on transfers between platforms to come into effect from 31 July 2020. Responses to the discussion on exit fees will be considered and a formal consultation may be issued later this year.

Hargreaves Lansdown is already at the forefront of making transfers of investments between providers quicker and easier through chairing the industry's working group on transfers (STAR). The goal is to create a set of common standards to deliver faster automated transfers and better customer communication. Given the significant transfer volumes we deal with, this will help improve client satisfaction and improve operational efficiency.

SAVINGS AND INVESTMENTS YOUR EMPLOYEES CAN UNDERSTAND, ENGAGE WITH, AND VALUE

HL Workplace is a service for employers, not individual investors. Every one of your employees is different. That means they have different financial goals – and therefore different needs and priorities. 'One size fits all' just isn't enough for employers who want to offer modern and competitive workplace benefits. We offer a Workplace Pension, Workplace Retirement Service, Workplace Savings, Flexible Benefits and Workplace Financial Education. With over 115,000 Corporate Scheme members across 457 Corporate Schemes, we're empowering people to save and invest with confidence.

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 client numbers 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
Technology
Marketing

Growth cycle

Service clients
Transfers
Allowances
New clients
Reinvestment

Economics

High quality earnings

Value creation

Clients
Employees
Investors
Society

See pages 14-15

People

Our people are 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 improve the client experience now and in the future through improved architecture that could enable collaborative opportunities. 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 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 onto our platform, new lump sum contributions and regular savings, particularly with regards to the tax allowances within a SIPP and an ISA.

Growth in services

We talk and listen to our clients to understand their needs along with those of our wider addressable market. This helps to focus our reinvestment and the the allocation of resources to improve existing and develop new services, which makes us an ever more integral part of clients' daily financial lives.

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.

81% 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 63%.

Profits and dividends

Our high quality earnings and scalability deliver strong profits which quickly convert into cash.

After ensuring we maintain a 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 including:

- Clients
- Employees
- Investors
- Society

FIND OUT MORE

Our market opportunities see page 6
The opportunities and challenges presented by our market environment.

Our business model see page 12
How we're driving value.

Our vision and strategy see page 20
How we're addressing our most significant opportunities and challenges

Our progress see page 32
The results we've achieved this year.

Our Corporate social responsibility see page 40
Our commitments and aspirations.

CREATING OUR FUTURE TOGETHER

Engaging with stakeholders is fundamental to the way we do business at Hargreaves Lansdown and ensures responsible and balanced decisions are made across both the short and long-term. We have invested in the development and involvement of our stakeholder communities as we believe it is the right thing to do, not only for our stakeholders but for our business. These pages provide a snapshot of just some of the ways in which we do this.

Clients

Empowered to save and invest with confidence.

Making their financial lives easy.

Employees

A diverse and inclusive workforce, motivated and enabled to achieve greatness by strong leadership.

Shareholders

Enjoying long-term sustainable returns through share price appreciation and a progressive dividend policy.

Society

We aim to be a responsible corporate citizen, positively influencing society and encouraging people to save and make more of their money.

How did we engage with them?	What were the key topics raised?	How did we respond?
Our relationship with clients is at the heart of what we do. Only by truly understanding the issues in their financial lives can we develop services and solutions to help. We regularly conduct client surveys, hold focus groups and client panels to get more insight. Feedback is used to continually improve the choice, quality, and convenience of our services and because of this more people trust Hargreaves Lansdown than any other service of its type.	• Extensive research showed clients wanted one simpler, shorter list of preferred funds, which included active and tracker funds and more information on why funds had been selected. • Clients were looking for global opportunities to invest. • Clients wanted an easy way to manage cash savings and improve their rates of interest.	• Our favourite fund list, the Wealth 150, was made simpler and shorter and relaunched as the Wealth 50. The new list came with improved online selection tools and improved discounts averaging 30% as we used our scale to reduce the cost of investing for clients. • We launched our HL Select Global Growth Shares fund. • In September 2018, we fully launched Active Savings which provides an easy solution to manage cash savings and consistently earn top quartile interest rates, all in a couple of clicks.
Engaging colleagues is key to creating an excellent work environment. We have used a number of channels, ensuring everyone has the chance to be heard including: • Colleague Survey and half-yearly Pulse Survey, supported by focus groups. • Colleague Forums to share views on key strategic items with the Board, Q&A and talks with senior leaders to ask questions and share feedback. • Engagement groups such as LGBT+ to discuss initiatives on how we can engage and support our colleagues better.	• A need to support more collaboration, faster and devolved decision making, and improved cross business communication to enable us to deliver our strategy and lead change at pace. • There has been recognition of the significant improvements made towards encouraging Diversity and Inclusion, colleague training, and career development. • Transparency around pay and bonuses.	• Established working groups addressing the key topics raised with senior leaders to bring about change. • Empowered colleagues to make change happen and have seen an impact by the awards won by our Mental Health Awareness group and LGBT+ group among others. • Continued focus on building engagement and enablement through the creation of a Culture Action plan. • We launched a new approach to promote transparency in pay reviews.
We engaged with our shareholders at our AGM in October 2018, with the Board providing a review of performance of the Group and providing opportunity for interaction and shareholder voting on resolutions. Members of our senior management meet with shareholders and potential investors across the year through a programme of results presentations, individual and group meetings and attendance at conferences both in the UK and abroad.	• The addressable market and what we are doing to win it. • How we can sustain growth in new clients and net new business. • Managing costs and increasing operational efficiency. • Progress on strategic initiatives such as Active Savings. • Investment in technology and growth. • What competitive threats are there?	• Key topics for investors are incorporated into presentations which we give at the Interim and Full-year results announcements and use in meetings throughout the year. • Regular reports and feedback to the executive team and the Board on key market issues and concerns are provided. • Our corporate brokers deliver updates on market dynamics and corporate perception helping us to shape our strategic priorities.
• We engaged with the government, our regulator, the FCA, along with industry and trade associations both on specific topic debates and wider investment and saving issues. • We explored citizenship and sustainability agendas through colleague forums, surveys, the HL Foundation, partnering with the likes of Bristol Sport, Bristol One City, Bristol Equality Network and Business West.	• Improving the process of moving investments from one provider to another. • Societal impacts and work in the communities we operate. • Reducing the environmental impact of our operations.	• We chair an industry working group called STAR focused on improving the transfer of investments. • We are lobbying industry and the DWP on the importance of engaging people with their workplace pension. • We launched an employee volunteering scheme and have increased our involvement and sponsorship in various community projects. • Switched to recyclable paper envelopes rather than degradable plastic ones.

DIVERSIFIED GROWTH AND LEADING CLIENT SERVICE

It is through uncertain times that clients seek knowledge, information and our insight more than ever.

Continued execution of our strategy
2019 saw Hargreaves Lansdown continue to execute our strategy. We delivered strong growth, increased market share and maintained our focus on clients' evolving needs and the service we provide.

> Net new business was £7.3 billion and we welcomed a further 133,000 net new clients.

We now have a record 1,224,000 clients. I am also pleased to report that AUA exceeded £100 billion for the first time in July 2019. We take great pride in what we do and I am confident that we are well positioned for the future.

This growth came despite external challenges, including uncertainty over Brexit and the wider macro-economic outlook. Investor confidence was understandably volatile in the UK market overall and, by our own measures, it hit record lows in the second half of 2018 with the Investment Association reporting the worst quarter ever for net retail fund outflows in Q4 2018.

Our growth and the resilience of net new business reflects the execution of our strategy and our relentless focus on putting the client at the centre of all that we do. The second half of our financial year was particularly strong, driven by a number of ongoing diversification initiatives that broaden our accessible market and by improved marketing effectiveness. This contributed to our best ever tax year end as clients continued to use their ISA and SIPP allowances.

We continue to develop new and innovative products and services where there is client need.

> Our new Active Savings service has gained considerable momentum and made a significant contribution to growth.

Its Assets Under Administration went above £1 billion in early July. We launched the HL Select Global Growth Shares fund in May 2019, with £298 million placed ahead of the launch. We were also delighted to welcome new clients from Witan, JP Morgan and Baillie Gifford during the year, continuing our successful history as a provider of choice for organisations wishing to transfer direct books. These books contributed £1.2 billion.

Due to this growth and our diversification initiatives, we have continued to add market share. We have grown our share of the direct to consumer platform market to 40.5%[1] and increased our share of the execution only stockbroking market to 34.1%[2].

I would like to thank our clients for their continued loyalty and support. Our relationship with them is based on a desire to help them to save and invest with confidence and build for their long-term prosperity and our strong retention rate of 93.6% is a demonstration of our strong service performance.

The hard work of colleagues is behind all that has been achieved and I would also like to thank them for their dedication and resilience throughout the year.

Serving our clients
We have a significant opportunity in an evolving and growing market. Societal changes such as improving life expectancy, the transfer of long-term savings from companies to individuals, and a prolonged low interest rate environment offering minimal risk-free returns all require that individuals and families build their own wealth and capital. This is against a backdrop of ever-shifting regulatory and tax environments. In this complicated world, our clients need support more than ever.

Our business grows as we add clients then deepen our relationship with them. We aim to develop this throughout their financial lives as they save and invest to accumulate before moving into a decumulation phase in retirement. By providing the service and solutions that they need, when they need them, engaging with them at the right times and communicating in the ways they prefer, we optimise the value that we can bring to them.

We have worked hard this year on the areas that our clients tell us cause them inconvenience, such as transfers, where we have reacted by facilitating higher numbers of online transactions and a reduction in overall completion times. We have improved our Helpdesk service by responding to high volume call drivers, providing new training to managers and through deployment of technology tools. We have also maintained our marketing efforts through quieter periods of client activity. It is through uncertain times that clients seek knowledge, information and our insight more than ever.

Given all of the hard work and resource we put into service, I was delighted that Hargreaves Lansdown received top marks from Platforum in its November 2018 UK D2C Investor Experience report for customer service, as well as for our online and mobile propositions. We also won the Boring Money Best Customer Service award, sponsored by The Times and The Sunday Times. We have achieved records in our internal measures for client satisfaction with our Helpdesk and improved our performance in Operations, whilst at the same time improving efficiency.

At the heart of our business is an extensive and complex technology infrastructure. We ensure that the monitoring and maintenance of our systems is thorough and rigorous to ensure that client information is always safe and secure and our hardware, software and client portals enable a smooth and efficient experience. This year we have delivered a number of key projects that have improved our ability to handle electronic trading volumes and to make our back office systems and websites work faster. We also completed changes to the way our clients log into the platform, making the process simpler and safer. Throughout all of these changes, platform uptime has been maintained and we have made enhancements to capacity and responsiveness of core applications.

Investing for the future

A key part of maintaining a lifelong relationship with clients is to provide a home for their assets not only throughout their lifetime, but through the market cycle. To that end, we continue to invest in our proposition. Our research told us that clients wanted to manage their cash savings as well as their investments all in one place with simple switching and easy execution. We therefore "soft" launched our cash management service, Active Savings, in December 2017 and spent some time to get the proposition right, adding more banks and making sure that the rates on offer were the best they could be.

We launched with a full tranche of term deposits and a focus on growing AUA in September 2018. In order to achieve this and establish a leading presence in this market, we have reduced our revenue margins to make sure that the rates we can offer on the platform are competitive. We followed this up by introducing Easy Access in January 2019. We have been pleased with the growth that we've seen this year which has taken us to almost £1 billion of AUA as at 30 June 2019. Our rates continue to be among the best available to the 28,000 clients who have opened accounts and we are committed to maintaining top quartile rates.

Through the uncertainties of 2018, clients indicated a desire to invest in global funds and this continued into early 2019.

We therefore launched the HL Select Global Growth Shares fund in May 2019.

This now has over £350 million of AUM, our most successful Select fund launch yet. It is a high conviction fund that will typically hold shares in 30-40 companies and is actively managed by our experienced team in Bristol.
We are committed to transparency and engagement with fund holders, so for all our HL Select funds we publish every shareholding once dealt, as well as the complete portfolio breakdown and regular updates on performance.

As Hargreaves Lansdown grows, it is paramount that we invest so that we continue to provide the very best service to our clients and develop capabilities to maximise the significant long-term market opportunity. By continually developing our people, technology and marketing capabilities we believe we will nurture the trust, engagement and ease of doing business that is critical to our success.

The Wealth 50

Behavioural economics suggest that when people are presented with a wide or unfamiliar choice, for example about financial planning, this can result in them not making any decision at all. One tool that people can use when making investment decisions is 'best buy' lists. In their Investment Platforms Market Study, the FCA found that 'best buy' lists and/or model portfolios help investors pick independent well-performing funds.

We are committed to a favourite funds list as one of many tools which are important for our clients.

At Hargreaves Lansdown, we have had a favourite funds list since October 2003. This is now known as the Wealth 50 following its relaunch in January 2019. This was as a result of feedback from 6,500 current and potential investors who told us they wanted a shorter, more focused list with the ability to filter by objective, risk, yield and cost.

The process of selecting and reviewing the Wealth 50 constituents is a rigorous one driven by our 14 person investment research team. They devote thousands of working hours every year to conducting quantitative and qualitative analysis of fund managers and the funds. This process helps identify managers who have added value over the long-term through repeatable skill rather than market movements or thematic biases.

This research has resulted in the selection of funds which have on average outperformed both their relevant benchmark index and their sector average after charges, by 5.8% and 11.8% respectively over the period they have been on our favourite funds list.

It is important to note that Hargreaves Lansdown is paid directly by our clients, not by fund managers. Our fee income is calculated as a percentage of the clients' assets held on our platform, and we earn the same fee regardless of the funds our clients hold.

We use the combined buying power of our 1.2 million clients to get the lowest cost we can for each fund, as a lower price delivers better investment returns. These discounts are passed in full to our clients. In 2018, we saved our clients £61 million of fund management costs as a result of the terms we have negotiated on their behalf and the Wealth 50 relaunch has enabled us to deliver a further £7 million of discounts to clients.

Chief Executive Officer's review

Woodford Equity Income

The nature of active fund management portfolios means that there will be periods of outperformance and underperformance by all managers. There are a limited number of individuals who deliver outperformance over their peers and benchmarks over the long term, and investors who own these managers' portfolios benefit from these outcomes.

We have followed Neil Woodford's career from 1999, when he was at Invesco Perpetual, and supported the launch of his new venture in 2014. For the first two and a half years from launch, the Woodford Equity Income fund was among the top performers in the sector, but at the end of 2016 the fund started to underperform. We had seen the fund manager display similar periods of underperformance in 1999, but then bouncing back strongly to 2003 and again underperforming in 2009, rallying strongly to 2016.

We believed there was a reasonable expectation that the fund would do the same again. As a result, the research process concluded that the Woodford Equity Income Fund should be kept on our favourite funds list.

As I detailed in my submission to the Treasury Select Committee, we began an active dialogue with Woodford in November 2017 over the proportion of small and unquoted assets in the Woodford Equity Income fund.

During the course of 2018, redemptions from the fund began to increase. This meant the manager sold stocks where he had the least conviction to meet demands for investor cash. This in turn meant the unquoted portion of the portfolio was not reduced as quickly as we had desired.

On 3 June, the authorised corporate director, Link Asset Services, decided to suspend dealing in the Woodford Equity Income Fund. We responded quickly and decisively. We immediately removed the fund from the Wealth 50, communicated the suspension to clients and dealt with all calls and emails received since in a timely and orderly manner. We waived our platform administration fee on direct holdings in this fund and we believe that Woodford Investment Management should suspend collecting its fees whilst their investors cannot access their cash. This is the right thing for them to do.

Since these announcements, Hargreaves Lansdown's own business flows and service levels have held up well. We have actively engaged with external stakeholders, including Link, Woodford Investment Management, and the regulator as well as the financial press which followed the story closely, keeping them informed. Our priority remains to support our clients and pressing for the Woodford Equity Income Fund to reopen as soon as is practicable, whilst protecting the interests of all investors.

I am determined that we learn from events such as these. I have apologised to all clients who have been impacted by the recent problems because we all share their disappointment and frustration. In these difficult times we recognise the financial and personal impact the gating of the fund has had on them. Philip and I, together with the unanimous support of the Board, have therefore decided that we will not take a bonus award for 2019.

Our aim remains to provide the best possible service and choices to allow people to manage their investments simply and effectively. The shortcomings of one fund should not detract from the benefits of favourite fund lists like the Wealth 50. We are confident in the robustness of how we analyse, research and compile our favourite fund list with a focus on ensuring best value for clients. Nonetheless, we recognise that there will be learnings and improvements we can make from reviewing this event and we will ensure we apply these to benefit our clients in the future.

The regulatory environment

The FCA's final Investment Platforms Market Study report was published in March 2019. The FCA confirmed its view that the platform market is mainly working well. There is not excessive profitability, consumers who pay more get more and that platforms help consumers make informed investment decisions. There are no material barriers to entry in the market and whilst the cost of customer acquisition is a barrier to expansion, making transfers between platforms easier should be an appropriate solution.

We welcome the proposed remedies which are reflective of our own core value of putting the client first. The FCA cited the need to make transfers easier and Hargreaves Lansdown is already at the forefront of this, chairing the industry's STAR working group. We anticipate 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. This should promote greater engagement among clients across the entire industry. We look forward to working with the FCA on the outcomes from this study.

Conclusion and outlook

I am pleased with the performance and progress we have made throughout a very challenging 2019. We recognise that there are industry headwinds and that the environment continues to be difficult and we remain vigilant to these conditions. However, we are confident in the underlying strength of our business and that we are well placed to help our clients prosper whilst continuing to deliver strong and sustainable returns for shareholders.

Chris Hill
Chief Executive Officer

7 August 2019

1 Source: Platforum UK D2C Market Update (July 2019).
2 Source: Compeer Limited XO Quarterly Benchmarking Report Quarter 1 2019.

SIMPLE TO START, EASY TO MANAGE CASH SAVINGS

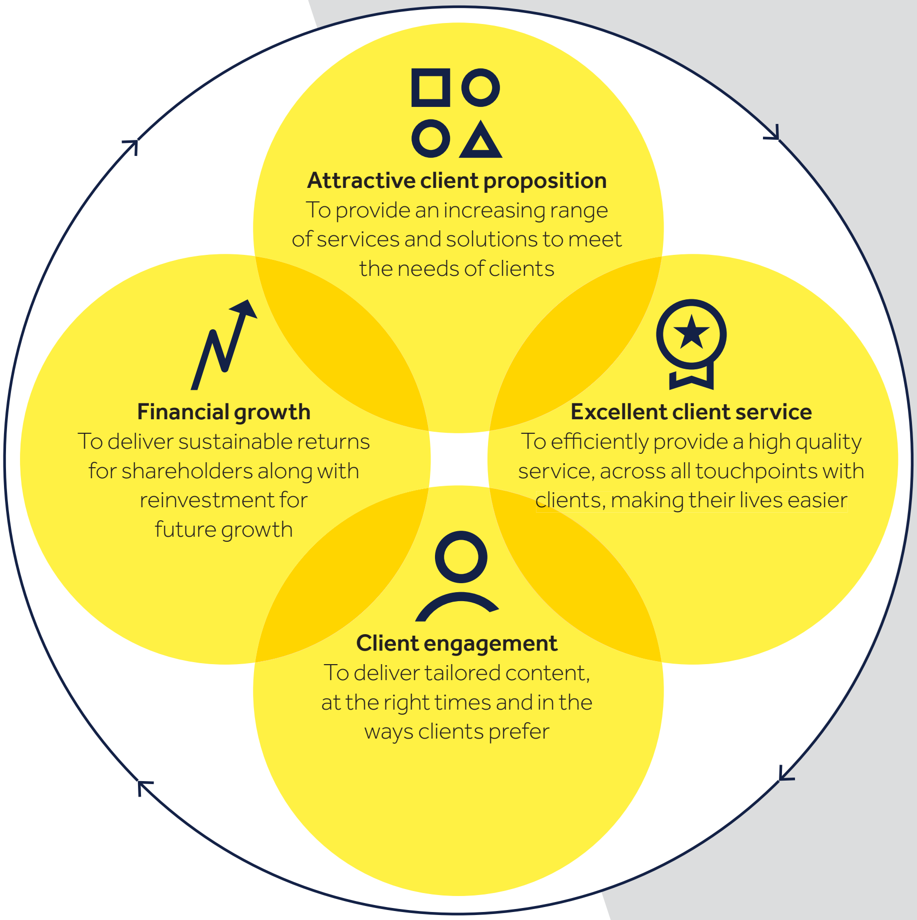
Our clients told us they don't have time to chase the best rates – they just want consistently good returns without teaser rates and without any stress. With Active Savings you can pick and mix savings products from a range of UK banks and building societies through one simple to use online account. With over £1 billion in Active Savings and 28,000 accounts, we're empowering people to save and invest with confidence.

OUR STRATEGY

Our vision is to deliver a market leading proposition and service to fulfil the long-term needs of clients.

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.

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



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Attractive client proposition

Net new clients

Represents the change in 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

- Three direct book acquisitions announced adding new clients in this financial year and next.
- More tailored marketing campaigns through better client segmentation improving conversion rates.
- New Corporate schemes and members added.

Result 133,000 (2018: 137,000)

Net new business (NNB)

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

Why

NNB 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, operational, legal and regulatory, conduct, financial.

Progress in the year

Best ever tax year end for NNB.

Three direct book acquisitions announced adding new business in this financial year and next.

Active Savings rolled out including Easy Access from January 2019.

Increased market share and AUA grew by 8% to a record £99.3 billion.

Result 7.3BN (2018: 7.6bn)

Excellent client service

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

- Average discount of 22bps negotiated on the new Wealth 50 list.
- Increased levels of online transfers and completion times down significantly.
- Average call response time of just 14 seconds (measured Jan to May 2019).

Result 93.6% (2018: 94.3%)

Net Promoter Score[SM]

Based on May 2019 and May 2018 client surveys of 16,361 and 14,674 respondents respectively, using the Net Promoter Score methodology.

Why

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

- Our NPS remains a very high score within the financial services sector.
- Reductions in the volumes of errors and complaints per 1,000 clients.
- Voted best platform for client service by Platforum.

Result 48.7 (2018: 50.3)

Strategy and KPIs continued

Client engagement

Digital 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
- Research undertaken to improve the segmentation of our clients leading to more tailored marketing campaigns.
- Enhanced functionality of the mobile app.
- More personalised communications, content and guidance.

Result 177M (2018: 169m)

Average accounts per client

Average number of active accounts held per client over 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 number 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.
- September 2018 saw the wider launch of Active Savings to existing clients.

Result 1.3 (2018: 1.3)

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
Improved manager training and deployment of technology delivering efficiencies on the Helpdesk and in Operations.

PBT grew 5% on the back of strong growth in assets and clients.

Result £305.8M (2018: £292.4m)

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 52.0P (2018: 49.6p)

A FLEXIBLE, TAX-EFFICIENT WAY TO SAVE FOR RETIREMENT

A Self-Invested Personal Pension is different to a traditional pension. Instead of limiting your investment options, a SIPP opens the doors, giving you more choice in how you invest your money. Our SIPPs are one of the most tax-efficient and flexible ways of saving for your retirement, offering online management, low costs, award-winning service and a wide investment choice. With over 406,000 SIPP accounts, we're empowering people to save and invest with confidence.

EVALUATING AND MANAGING RISKS

1. Risk management

The Board has ultimate responsibility for the Group's risk management 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.

Hargreaves Lansdown manages risk at a consolidated level. The Group's Risk Management Framework is designed to manage risk within agreed appetite levels and is aligned to delivering the Group's strategy.

The Group aims for effective and proactive risk management integrated into the culture of the Group as demonstrated by the Hargreaves Lansdown 'values'.

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. A risk policy suite is in place, with policies reviewed on an annual basis.

Key governance committees relating specifically to the maintenance and oversight of the risk and control environment include the plc Board and the Board Risk Committee. The plc Board is responsible for overseeing the Audit, Risk, Remuneration, Nomination and Investment Committees. The Board Risk Committee is responsible for oversight of the Executive Risk, CASS, Treasury and Product Governance Committees. It is understood by the Chair of the plc Board and Board Risk Committee that risk is a core theme which is demonstrated in all committee discussions.

The activities of the Board and Executive Committees are detailed in the Corporate governance report, page 54-60.

Figure 1: Board Committee structure

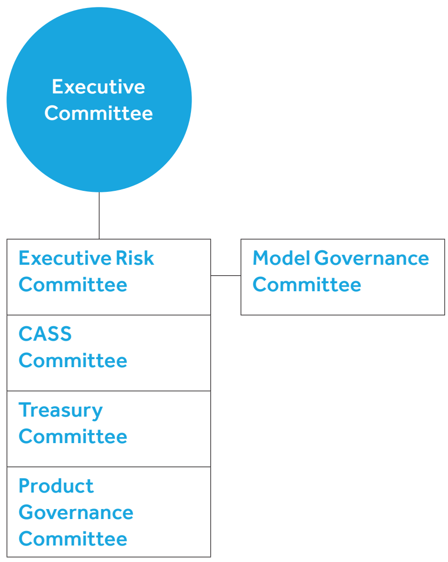


Figure 2: Executive Committee structure with specific focus on risk

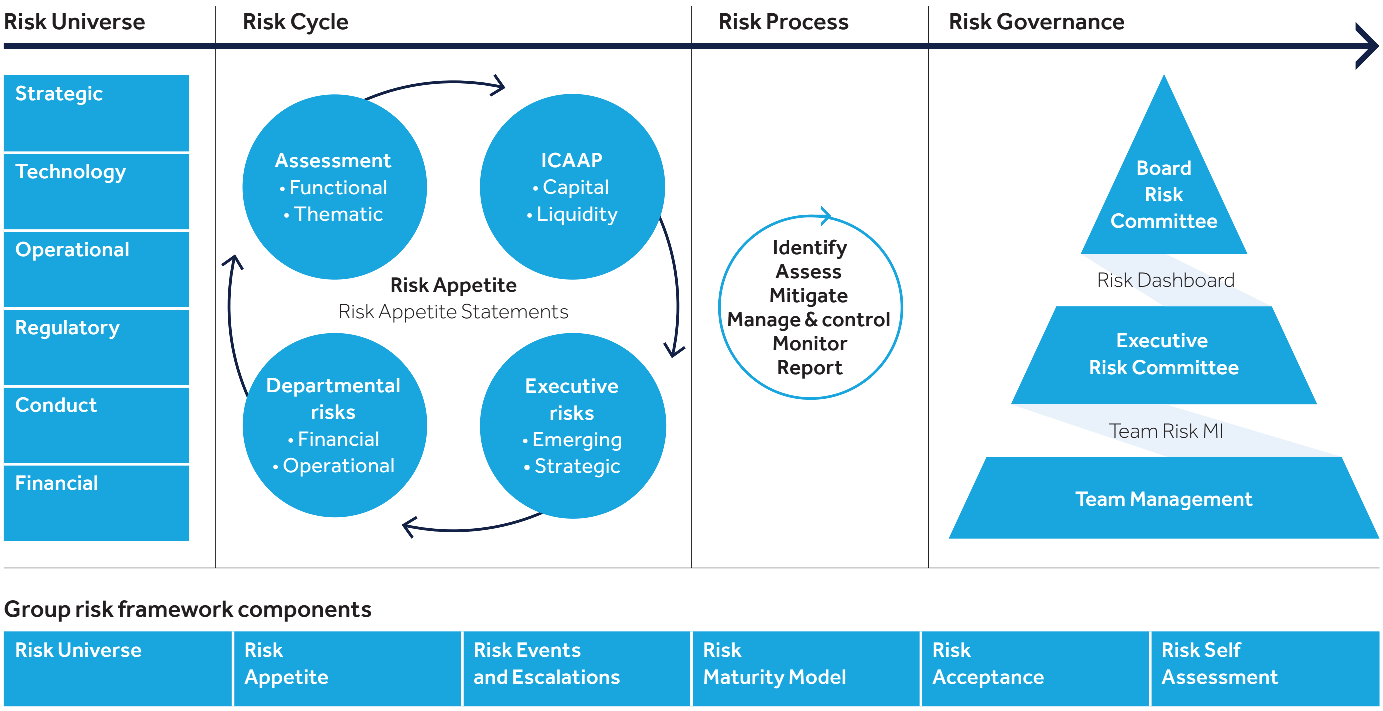


Figure 3: Risk management framework and reporting schematic

Risk management 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.

Risk universe

Hargreaves Lansdown has a comprehensive risk management framework (see figure 3), capturing both forward looking risks and current business as usual risks.

Risk materials are reviewed by the Board and Executive Management teams on a rolling basis with support from the second line business functions.

The Group 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.

Risk appetite

The Group's risk appetite is an articulation of the nature and type of risks that the Group is willing to accept, or wants to avoid, in order to achieve its business objectives. Effective risk appetite statements combine qualitative statements and quantitative measures expressed relative to metrics such as operational process, capital, liquidity and other relevant measures.

The Group's risk appetite statements are reviewed on at least an annual basis. The Board has overall responsibility for determining the nature and extent of the risk it is willing to take and for ensuring that risks are managed effectively across the Group.

The Board sets the Group's risk appetite and measures this across six risk categories, with KRIs monitored against each. These categories are strategic, technology, operational, regulatory, conduct and financial. All KRIs include three statuses, setting the required risk response level.

Risk reporting

Risk 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;
- Operations Oversight team – provides risk and control support to Operations, creates MI for the Operations Management Team and manages the Operations process framework; and
- 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.

Individual Capital Adequacy Assessment Process

The primary purpose of the 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 facilitation provided by the Risk function.

The Group has an established governance framework that ensures all inputs, decisions, assumptions, limitations and outputs are reviewed, challenged and approved by key governance forums including Executive and Board Risk Committees. The Group's annual ICAAP report is reviewed and approved by the Board. The Group's ICAAP approach is designed to be appropriate given the scale, nature and complexity of its business model.

There is an established Model Governance Committee (MGC) that provides oversight to the application of a statistical modelling approach when assessing the Group's Pillar II Operational Risk capital. Further external validation of the approach is commissioned through a third party.

Viability statement

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, technology, operational, regulatory, conduct 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.

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 2022 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.

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 and it also matches the timescale over which most changes to major regulations and the external landscape that affect our business typically take place.

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.

2. 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 its viability statement.

The principal risks and uncertainties faced by the Group are detailed below. The principal risks are categorised into strategic risks, legal and regulatory risks, conduct risks, operational risks and financial risks as per our risk framework. Principal risks reported here are those with the greatest focus, and to which the organisation has the largest exposure. The principal risks are linked to risk appetite and KRI measures for reporting.

Management and the Board regularly discuss emerging risks. Topics discussed during the period included Brexit, communications from the regulator, and third party services and solutions.

Strategic risks

Proposition and services

Owner:	**Link to strategy:**	**Link to HL values:**	**2018-2019 Change**
Chief Executive Officer	Attractive client proposition	Put the client first, do the right thing, make it easy	INCREASING

Risk	**Mitigation and controls**	**Key risk indicators**
Risk that HL does not provide the proposition and services required to achieve HL's strategy and purpose.	• 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	• NNB v forecast • Net Promoter Score • Client retention • Service rating • Complaints • Risk events
Potential impact		**2018/19 activity**
• Erosion of shareholder value • Negative impact on achievement of AUA and client number strategic targets • Negative impact on our reputation as an innovative market leader		• Launched Segregated Mandate capability in HL Fund Managers • Development of Active Savings proposition • Launch of Global Equity Fund • Launch of Wealth 50

Technology

Owner:	**Link to strategy:**	**Link to HL values:**	**2018-2019 Change**
Chief Information Officer	Excellent client service	Do the right thing, do it better	STABLE

Risk	**Mitigation and controls**	**Key risk indicators**
Risk that HL fails to effectively manage and maintain existing technological architecture, environments or components.	• IT Architecture Plan • Rolling internal and external monitoring of IT environment • Operational Plan, including prioritisation of IT development • Integration of the development capacity from HL Tech in Poland	• System availability • Status of critical projects • Core system monitoring • System patching status
Potential impact		**2018/19 activity**
• Inability to maintain operational efficiency • Increased costs • Poor client outcomes • Reputational damage		• Continued development and evolution of our core architecture • Platform security improvements

Risk management and the principal risks and uncertainties continued

Strategic risks continued

Reputational

Owner:	Link to strategy:	Link to HL values:	2018-2019 Change
Executive Committee	Financial growth	Put the client first, go the extra mile, do the right thing, make it easy, do it better	INCREASING

Risk / Potential impact	Mitigation and controls	Key risk indicators / 2018/19 activity
Risk The risk that negative publicity, public perception or uncontrollable events have an adverse impact on HL's reputation.	**Mitigation and controls** • Reputational risk is embedded within all the principal risks and uncertainties, and is considered within the relevant mitigations and controls • PR function, including access to external advisors	**Key risk indicators** • NNB • Client attrition • NPS
Potential impact • Reduced AUA and AUM • Negative impact on HL revenue • Erosion of shareholder value		**2018/19 activity** • Management of the Woodford Equity Income Fund suspension, engagement with clients and external stakeholders

Legal and regulatory risks

Regulation

Owner:	Link to strategy:	Link to HL values:	2018-2019 Change
Risk and Compliance Director	Excellent client service	Put the client first, do the right thing, make it easy, do it better	STABLE

Risk / Potential impact	Mitigation and controls	Key risk indicators / 2018/19 activity
Risk Risk that required regulatory change is not implemented to regulatory expectations or requirements.	**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 checking to ensure the Group has timely visibility of future regulatory change • Dialogue with the FCA	**Key risk indicators** • Volume of new outputs from regulatory bodies • Number of regulatory change projects
Potential impact • Regulatory breaches • Increased regulatory scrutiny, censure or fines • Missed opportunities to achieve competitive advantage		**2018/19 activity** • Delivery of CSDR changes • Ongoing CASS environment review and improvement activities • Projects ongoing: SMCR and PSD2

Conduct risks

Client outcomes

Owner: Chief People Officer	**Link to strategy:** Excellent client service	**Link to HL values:** Put the client first, go the extra mile, do the right thing, make it easy, do it better	**2018-2019 Change** **STABLE**

Risk
Risk that HL's culture and the HL values fail to support and encourage appropriate client focused conduct by all colleagues, leading to poor conduct.

Potential impact
- Poor client outcomes
- Reputational damage
- Regulatory scrutiny
- Negative impact on the achievement of our growth targets

Mitigation and controls
- Business plans linked to colleague surveys
- Senior Management meet monthly to oversee and drive client experience, people and culture related activity
- Regular Conduct Risk MI, discussed at the Product Governance Committee

Key risk indicators
- Glassdoor rating
- Employee surveys
- Client survey results
- Colleague retention
- Complaints
- Colleague attrition rate

2018/19 activity
- Quarterly 'Town hall' Communications sessions
- Leadership group restructured and developed
- Establishment of a Corporate and social responsibility programme
- Established a business led diversity, inclusion and wellbeing programme of activity
- Updated Performance Development model

Operational risks

Operational delivery

Owner: Chief Financial Officer	**Link to strategy:** Excellent client service Financial growth	**Link to HL values:** Put the client first, do the right thing, make it easy, do it better	**2018-2019 Change** **STABLE**

Risk
Risk that HL fails to design or implement appropriate policies, processes or technology.

Potential impact
- Incorrect or inefficient delivery of activities
- Regulatory or policy breaches
- Poor client outcomes
- Financial losses including compensation
- Reputational damage

Mitigation and controls
- Group risk management framework
- Ongoing first line of defence monitoring of controls, control testing and self-assessment
- Process manuals and process mapping
- Operational MI
- Control focus at key governance forums, including: CASS Committee, Operations Risk and Control Committee, Executive Risk Committee, Risk Committee.

Key risk indicators
- Risk events
- Best execution monitoring
- Third party breaches
- Complaints
- Helpdesk call quality
- Employee retention rates

2018/19 activity
- Embedding of a process framework model
- Process improvements across operational functions leading to a significant reduction in errors, complaints and breaches

Operational risks continued

Business continuity

Owner: Chief Information Officer	**Link to strategy:** Excellent client service	**Link to HL values:** Do the right thing, do it better	**2018-2019 Change** STABLE

Risk Risk that HL fails to manage the resilience of operational functions.	**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 and DR tests
Potential impact • Inability to manage extreme or unexpected events • Operational errors • Poor client outcomes • Regulatory scrutiny • Reputational damage		**2018/19 activity** • Enhancements to Business Impact Analyses • Review of our third party DR site

Financial crime and data protection

Owner: Chief Information Officer and the Risk and Compliance Director	**Link to strategy:** Excellent client service	**Link to HL values:** Put the client first, go the extra mile, do the right thing, make it easy, do it better	**2018-2019 Change** STABLE

Risk Risk that HL fails to design or implement appropriate frameworks, including policies, processes or technology, to counter HL being used to further financial crime.	**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** • Fraud monitoring • Cyber threat assessment • Time taken to address security vulnerabilities
Potential impact • Loss of data • Poor client outcomes (including fraud) • Negative impact on confidence in HL • Diminish the integrity of the financial system		**2018/19 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	**Link to strategy:** Financial growth	**Link to HL values:** N/A	**2018-2019 Change** **INCREASING**

Risk Fluctuations in capital markets may adversely affect trading activity and/or the value of the Group's AUA or AUM, from which we derive revenues. These fluctuations can result from macro-economic or political concerns, such as Brexit for example.	**Mitigation and controls** • The Group's business model comprises both recurring platform revenue and transaction-based revenue • A high proportion of the AUA are held within tax-advantaged wrappers, meaning there is a lower risk of withdrawal • The Group has established a specific Brexit-preparation workstream focused mitigating business and client impacts	**Key risk indicators** • Interest rates • FTSE 100
Potential impact • Reduced AUA and AUM • Negative impact on HL revenue		**2018/19 activity** • Ongoing discussion in the Executive Committee

PHILIP JOHNSON
CHIEF FINANCIAL OFFICER

CONTINUED GROWTH IN AUA, PROFITS AND DIVIDENDS

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

	Year ended 30 June 2019 £bn	Year ended 30 June 2018 £bn
Opening AUA	91.6	79.2
Underlying NNB	7.3	7.6
Market growth and other	0.4	5.9
Founder transfers[1]	–	(1.1)
Closing AUA	99.3	91.6

1 Underlying net new business in 2018 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 robust year for NNB and 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.

NNB for the year totalled £7.3 billion despite the backdrop of low investor confidence, record industry retail fund outflows for part of the year and the continued Brexit and political uncertainty. This was driven by increased client numbers and continued wealth consolidation onto our platform. We also benefited from new business from direct books totalling £1.2 billion. We remain in discussions with other fund groups but have no further deals to announce at present.

During the year to 30 June 2019 we introduced 133,000 net new clients to our services and grew our active client base a further 12% to 1,224,000.

This increased client population underpins future growth as clients add new money to their accounts, particularly through the use of annual tax free allowances in the SIPP and ISA products. Over a period of time, clients also typically consolidate their investments through transfers onto our platform. 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 93.6% and 93.1% respectively. 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.

Total AUA increased by 8% to £99.3 billion as at 30 June 2019 (£91.6 bn as at 30 June 2018). This was driven by £7.3 billion of NNB and positive market movement which added a further £0.4 billion.

Financial performance

Income statement

	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Revenue	**480.5**	447.5
Operating costs	**179.4**	(158.7)
Fair value gains on derivatives	**2.2**	2.3
Finance income	**2.8**	1.5
Finance costs	**(0.3)**	(0.2)
Profit before tax	**305.8**	292.4
Tax	**(58.2)**	(55.7)
Profit after tax	**247.6**	236.7

2019 profit before tax grew by 5% to £305.8 million. This was due to revenues increasing on the back of continued NNB-driven growth, despite challenging external conditions at various points during 2019 and costs growing in line with client numbers, as signalled last year.

Revenue

Total revenue for the year was £480.5 million, up 7% (2018: £447.5m), driven by higher asset levels and improved margins on client cash. This more than offset a fall in stockbroking commissions from reduced client share dealing activity due to unsettled market conditions and a loss of investor confidence particularly around Brexit and political events. The proportion of recurring revenue has increased to 81% (2018: 77%) as the transactional stockbroking commissions have declined. In line with the wider industry our share dealing volumes fell, however, our market share of the UK execution only market continued to increase to 34.1%[1].

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

	Year ended 30 June 2019			Year ended 30 June 2018		
	Revenue £m	**Average AUA £bn**	**Revenue margin bps**	Revenue £m	Average AUA £bn	Revenue margin bps
Funds[1]	**206.2**	**50.6[7]**	**41**	198.0	48.4[7]	41
Shares[2]	**86.2**	**31.4**	**27**	89.6	28.3	32
Cash[3]	**73.2**	**10.2**	**72**	42.1	8.8	48
HL Funds[4]	**68.3**	**9.2[7]**	**74**	67.2	9.1[7]	74
Other[5]	**46.6**	**0.5[6]**	**–**	50.6	–	–
Double-count[7]	**–**	**(9.1)[7]**	**–**	–	(9.1)[7]	–
Total	**480.5**	**92.8[7]**	**–**	447.5	85.5[7]	–

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, FundsLibrary revenues, Active Savings and ancillary services (e.g. annuity broking, distribution of VCTs and Hargreaves Lansdown Currency and Market Services).
6 Average cash held via Active Savings.
7 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.

1 Source: Compeer Limited XO Quarterly Benchmarking Report Quarter 1 2019

Revenue on Funds increased by 4% to £206.2 million (2018: £198.0m) due to AUA growth primarily from net new business. Funds remain our largest client asset class at 55% of average AUA (2018: 56%), and the revenue margin earned on these this year was 41bps (2018: 41bps). 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. However, this guidance may be slightly impacted, depending on how long the current suspension on dealing in the Woodford Equity Income Fund lasts. The suspension commenced in June 2019 and we took the decision to waive our platform fee where clients directly held this fund. The loss of revenue is estimated at £360,000 per month and Link Asset Services, the fund's Authorised Corporate Director, has confirmed that trading will likely be suspended until early December. Funds AUA at the end of 2019 was £53.8 billion (2018: £51.0bn).

Revenue on Shares decreased by 4% to £86.2 million (2018: £89.6m) and the revenue margin was 27bps (2018: 32bps), within our expected range of 27bps to 33 bps. The impact of lower client driven equity dealing volumes, down 5% on the prior year, has only been partly offset by a growth in management fees. Management fees for shares charged in the SIPP and Stocks and Share ISA accounts are capped once holdings are above £44,444 in a SIPP and £10,000 in an ISA. This causes some dilution to the margin over time as clients grow their portfolio of shares. Shares account for 34% of the average AUA (2018: 34%). We expect the margin on Shares to be centred around 29bps over the next 12 months, with a range around this depending on actual dealing volume levels. Shares AUA at the end of 2019 was £33.7 billion (2018: £31.0bn).

Revenue on Cash increased by 74% to £73.2 million (2018: £42.1m) as a result of increased cash levels combined with an increase in the interest margin to 72bps (2018: 48bps). This was slightly ahead of our communicated expectations at the Interim results announced in January 2019, that margins would be within a 60bps to 70bps range. This was due to the yield curve anticipating further interest rate rises that have so far not materialised. Cash accounts for 11% of the average AUA (2018: 10%). At the start of the year the Bank of England base rate was 0.50% before being increased to 0.75% in August 2018. With the majority of clients' SIPP money placed on rolling 13 month 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. We anticipate the cash interest margin for the 2020 financial year will be in the range of 70bps to 80bps, although given the yield curve has fallen back recently we expect margins in the first half of the year to be higher than the second half as higher rate deposits roll off and are replaced at a lower rate. Cash AUA at the end of 2019 was £10.7 billion (2018: £9.6bn).

HL Funds consist of 10 Multi-Manager funds, on which the management fee is 75bps per annum, and three Select equity funds, the most recent of which launched in May 2019, where the management fee is 60bps. Revenue from these funds has grown by 2% this year to £68.3 million (2018: £67.2m) thanks to a slightly higher average value of the funds across the year. 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 (2018: 74bps). Recent growth in the HL Multi-Manager funds has been subdued and we expect this to remain a feature of 2020 flows, especially given a number of these funds have holdings in the Woodford Equity Income Fund. Note that the platform fees on these assets are included in the Funds line and hence total average AUA of £92.8 billion (2018: £85.5bn) excludes HL Funds AUM to avoid double-counting. HL Funds AUM at the end of 2019 was £9.4 billion (2018: £9.6bn).

Assets held within Active Savings on the platform and the related revenue are not yet broken out into a separate category in the table above. In September 2018, we increased the level of marketing and promotional activity for Active Savings, believing it is strategically imperative to capture the scale advantage of being a first mover. Consequently our focus has been and continues to be on growing AUA at present. Our chosen route for achieving this in the current low interest rate environment is via reducing our revenue margins to ensure the rates offered on Active Savings are highly competitive. This will attract new clients and assets into the service that we need to capitalise on the opportunity. As at 30 June 2019, the AUA was £986 million. The associated revenue is included in the category of "Other" such that the total revenue reconciles back to the income statement.

Other revenues are made up of advisory fees, our Funds Library data services, Active Savings and ancillary services such as annuity broking, distribution of VCTs and the Hargreaves Lansdown Currency and Market Services. These revenues are largely transactional and declined by 8%. Early in the year we stopped taking box profits on the buying and selling of units of our own funds leading to a reduction in revenue of £1.3 million. In addition, following the implementation of IFRS 15 (Revenue from Contracts with Customers), cash incentives given to clients that were previously shown as marketing costs are now considered to be a reduction in revenue and the charge was £1.1 million in the year.

	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Recurring revenue	**387.3**	344.9
Transactional revenue	**84.3**	94.0
Other revenue	**8.9**	8.6
Total revenue	**480.5**	447.5

The Group's revenues are largely recurring in nature, as shown in the table above, with the proportion of recurring revenues increasing to 81% (2018: 77%). Recurring revenue is primarily comprised of platform fees, Hargreaves Lansdown fund management fees, interest on client money, equity holding charges and ongoing advisory fees. It grew by 12% to £387.3 million (2018: £344.9m) due to increased average AUA from continued net new business and higher interest rates earned on client money. 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 declined by 10% to £84.3 million (2018: £94.0m) with a 5% decrease in client driven equity deal volumes being the key driver. The removal of box profits and the implementation of IFRS 15 were also factors in the revenue reduction.

Other revenue is derived from the provision of funds data services and research to external parties through Funds Library. This was up 3% from £8.6 million to £8.9 million, driven by new MiFID II services and some targeted price increases which more than offset some lost contracts.

Operating costs

	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Staff costs	**97.2**	87.4
Marketing and distribution costs	**12.7**	16.3
Depreciation, amortisation & financial costs	**12.4**	10.3
Other costs	**50.3**	41.2
	172.6	155.2
Total FSCS levy	**6.8**	3.5
Total operating costs	**179.4**	158.7

Operating costs increased by 13% to £179.4 million (2018: £158.7m) to support higher client activity levels, maintain client service and invest in the significant growth opportunities we see ahead for Hargreaves Lansdown.

As highlighted previously, we consciously and significantly increased our investment in people, digital marketing and technology during the 2017 and 2018 financial years as 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 been validated by net new business flows, net new clients, increased market shares, high client retention rates and continued development of our product set and growth capabilities during the period. Having gone through this period of investment catch up the growth rate in costs, excluding the FSCS levy, has slowed to 11% for the year with cost growth of just 5% in the second half of the year versus the equivalent period in 2018. Looking forward we would anticipate that costs will grow more in line with the growth of client numbers.

Staff costs remain our largest expense and rose by 11% to £97.2 million (2018: £87.4m). Average staff numbers increased by 13% from 1,398 in 2018 to 1,574 in 2019 with the key increases being in Technology, 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 decreased by 22% to £12.7 million (2018: £16.3m). Although we continued to invest in our digital marketing presence and targeted marketing campaigns for Active Savings, our Retirement Services and transfer mailing cash back incentives, a change in the accounting for the latter has led to a reduction in the overall charge. In line with IFRS 15 (Revenue from Contracts with Customers), cash incentives given to clients are now considered to be a reduction in revenue, whereas previously these incentives were considered a marketing cost. As a result, £2.0 million of cash incentive payments are no longer charged as a cost and instead are being offset against revenue and spread over a 12-month period, that being the minimum period for which clients must remain on the platform following a cash incentive payment. These costs will be deducted from other income to maintain consistency with assets and margin disclosure data. In the year to 30 June 2019, £1.1 million has been deducted from other income.

Use of mobile and digital media remains a key strategic focus of how we engage with existing and potential new clients. We have worked hard at gaining a deeper understanding of our client segmentation and have invested in our use of data analytics and the addition of specialist content writers. Although there is much more to do, we are already seeing improved effectiveness on our marketing spend as more tailored content is now delivering better conversion rates on marketing campaigns. We will continue to invest in marketing despite investor uncertainty as communication at times like these is valued by existing clients and will put us at the forefront of the minds of potential new clients.

Depreciation, amortisation and financial costs increased by £2.1 million to £12.4 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 £17.1 million this year (2018: £16.1m). This expenditure was from cyclical replacement of IT hardware, the continuing project to enhance the capacity and capability of our key administration systems and the ongoing development of the Active Savings platform.

Other costs rose by £9.1 million to £50.3 million (2018: £41.2m). The key drivers of this were increased computer maintenance and office costs driven by higher employee numbers and additional office space, increased professional fees and irrecoverable VAT on non-staff expenses.

The Financial Services Compensation Scheme (FSCS) levy rebased upwards by £3.3 million or 94% to £6.8 million. This was caused by a combination of a restructure of the fee blocks leading to pension and product providers like us bearing a higher proportion of the amounts being raised and our fee growth being above the wider market. 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 2019 £m	Year ended 30 June 2018 £m
Operating profit	**303.3**	291.1
Finance income	**2.8**	1.5
Finance costs	**(0.3)**	(0.2)
Profit before tax	**305.8**	292.4
Tax	**(58.2)**	(55.7)
Profit after tax	**247.6**	236.7

The Group has grown profit before tax by 5% to £305.8 million (2018: £292.4m) and profits after tax also grew by 5% to £247.6 million as the headline statutory corporation tax rate remained unchanged at 19.0%.

Tax

The effective tax rate for the year was 19.0% (2018: 19.0%), 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 2019 £m	Year ended 30 June 2018 £m
Profit after tax	**247.6**	236.7
Diluted share capital (million)	**475.8**	475.4
Diluted EPS (pence per share)	**52.0**	49.6

Diluted EPS increased by 5% from 49.6 pence to 52.0 pence, reflecting the Group's growth in profit after tax. The Group's Basic EPS was 52.1 pence compared with 49.7 pence in 2018.

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 2019 was £394.0 million (2018: £343.5m) as cash generated through trading offset the payments of the 2018 final dividend and the 2019 interim dividend. This includes cash on longer-term deposit and is before funding the 2019 final dividend of £110.9 million and special dividend of £39.3 million.

The Group has 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 excellent service, for example through using surplus liquidity to allow same day switching between products that have mismatched settlement dates.

Capital

	30 June 2019 £m	30 June 2018 £m
Shareholder funds	**458**	404
Less: goodwill, intangibles and other deductions	**(24)**	(24)
Tangible capital	**434**	380
Less: provision for dividend	**(150)**	(142)
Qualifying regulatory capital	**284**	238
Less: estimated capital requirement	**(186)**	(159)
Surplus capital	**98**	79

Total attributable shareholders' equity, as at 30 June 2019, made up of share capital, share premium, retained earnings and other reserves increased to £457.8 million (2018: £404.0m) as continued profitability more than offset payment of the 2018 final and special dividends and the 2019 interim dividend. Having made appropriate deductions as shown in the table above, surplus capital amounts to £98 million.

The Group has three subsidiary companies authorised and regulated by the FCA and one subsidiary authorised by the FCA under the Payment Services Regulations 2017. 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 2019 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)

	2019	2018
Interim dividend paid	**10.3p**	10.1p
Final dividend declared	**23.4p**	22.1p
Total ordinary dividend	**33.7p**	32.2p
Special dividend	**8.3p**	7.8p
Total dividend	**42.0p**	40.0p

Reflecting this policy, the Board has declared a 2019 total ordinary dividend of 33.7 pence per share (2018: 32.2p), 5% 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 8.3 pence per share (2018: 7.8p). The 2019 total dividend of 42.0 pence per share (2018: 40.0p) is up 5% and results in a total dividend payout ratio of 80.6% (2018: 80.6%). Subject to shareholder approval of the final dividend at the 2019 AGM, the final and special dividends will be paid on 18 October 2019 to all shareholders on the register at the close of business on 27 September 2019.

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

7 August 2019

Non-financial information statement

As a FTSE 100-listed business, we have an important responsibility to contribute to the communities around us and the wider economy.

We focus on driving high levels of corporate responsibility, governance and sustainability and look to engage with a wide range of stakeholders in order to help create value for all.

This section of the Strategic Report constitutes the Group's Non-Financial Information Statement for the purposes of sections 414CA and 414CB of the Companies Act 2006. The information listed is incorporated by reference.

Reporting requirement	Policies and standards which govern our approach	Due diligence, outcomes and additional information	Page
Environmental matters	We are committed to being a sustainable business that takes responsibility for how we manage the impact we have on the environment and climate change.	The environment, sustainability and climate change	46-47
Employees	Our people strategy	Corporate social responsibility	40-47
	Culture, values and behaviours at Hargreaves Lansdown	Employees	42-45
	Annual discretionary bonus policy	Board diversity	59
	Health and safety policy	Remuneration report	68-87
	Policy on Board Diversity	Gender pay gap	42 and 69
	Diversity and inclusion strategy		
	Internal HR policies include:		
	Equal opportunities and harassment (dignity at work) policy, flexible working policy, compassionate and family leave policies and an employee assistance programme.		
Social	Corporate social responsibility strategy	Corporate social responsibility	40-47
	Volunteering policy	Community	45-46
	Tax strategy	Tax Strategy	48
Respect for human rights	Human Rights policy	Human rights	45
	Modern Slavery and Human Trafficking policy		
Anti-corruption and anti-bribery	Anti-Bribery policy	Corporate social responsibility	45
	Whistleblowing policy	Anti-bribery and corruption	41
	Gifts and hospitality policy		

1 Certain policies and standards are not published externally.

Additional information		Page
Description of principal risks and impact of business activity	Principal risks and uncertainties, conduct risk (client outcomes) and operational risk (financial crime)	29 and 30
Description of the business model	Business model	12-13
Non-financial key performance indicators	Strategy and KPIs	20-22

FINANCIAL ADVICE FOR A BETTER FUTURE

Our financial advisers help thousands of clients each year to make the right investment decisions to meet their financial objectives. Whether you're an active investor, a diligent saver or your financial situation has taken a sudden change, HL Financial Advice will help you get a clear view on the present and a strong plan. We might discover you don't need advice, if that's the case we'll support you with free information to help you get on track. We're empowering people to save and invest with confidence.

Corporate social responsibility

We are committed to Corporate social responsibility and want it to be embedded into our policies and practices to the benefit of stakeholders and the wider community with long-term sustainable outcomes for all.

Our approach to corporate citizenship is based on four pillars

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 makes great business sense. We work for the long-term, looking beyond immediate success.

This year we have relaunched our Corporate social responsibility (CSR) strategy with three core aspirations:

- To reduce the UK Savings Gap;
- To support Bristol as a city where everyone can thrive; and
- To act responsibly, ensuring we are a good corporate citizen.

We approach these core aspirations by formulating our approach and activity around four pillars:

Clients	Employees	Community	Environment
Page 41	Page 42	Page 45	Page 46

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.

- **We put the client first** – from the day-to-day exceptional client experience, to the constant improvement of our services, we use client feedback to shape future development. 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** – We're fair, honest and upfront and do the best for our clients. We focus on the long-term. It's why they trust us, and how we earn their loyalty.
- **We make it easy** – Savings and investments should be easy to access, understand and do. We make things simple which gives our clients confidence to make important decisions at the right time.
- **We do it better** – energetically innovating and improving. When things aren't working well, we fix them.

Clients

> Looking after clients to ensure they are empowered financially.

Putting clients first

Ensuring that our clients are happy with our products and services, trusting us to keep their interests at heart, and listening to their concerns is paramount to empowering people financially. To achieve this, we actively seek our clients' views and feedback through surveys and focus groups and use this insight to shape our services, products and features.

We recognise that sometimes we make mistakes. If clients ever feel the need to complain, our client services team carefully investigate our client's complaint and endeavours to provide them with a fair outcome and timely resolution. We learn from these experiences.

We benchmark our performance in treating clients fairly against statistics published annually by the Financial Ombudsman Service for the industry. The results for the 2019 financial year compared to the last figures published by the Ombudsman show that Hargreaves Lansdown is both fair and responsive in such circumstances.

Going the extra mile

We understand that clients have differing financial needs and goals. Ensuring that we can service these different needs and exceed expectations wherever we can is important to us. Our broad offering means we can assist clients throughout their financial lifetime. Listening, finding solutions and treating our clients as individuals ensures we provide them with an exceptional personal experience.

We believe that when clients are faced with an exceptional experience, they will have the trust and confidence to engage with their finances. To help, over the year we've kept our Helpdesk open on Sundays and late into the night during the ever busy tax year end.

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 want to do the right thing by our clients and we are committed to providing an exceptional service to all of our clients and offering the support they need. Our clients cover a diverse range of backgrounds and we want to ensure that all clients are treated fairly, regardless of their circumstances. We have undertaken work into how better to support our vulnerable clients. We have a partnership with Dementia UK to ensure that we can support vulnerable clients and train colleagues to ensure we are doing the right thing for vulnerable clients.

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

To empower more people to engage with their finances and make good long-term decisions, we aim to make dealing with us as easy and efficient as possible. We aim to educate and empower people to make the right choices for them through the tools, guides and research we provide.

Our clients range from first time investors, to the highly experienced with different levels of confidence, time and willingness to engage with their finances. The ongoing challenge is to create an experience that will suit these individual needs and maintain a broad appeal to anyone who wants to engage in saving and investing.

Our client experience team is dedicated to making things easier for people. They monitor feedback, frequent problems and pinch-points on client journeys and use these insights to streamline client interactions.

The outcome is that clients are able to conduct their business with as little hassle as possible. Information on our website is easy to find and targeted for different needs; application processes are streamlined and 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.

Doing it better

We continually challenge ourselves to deliver a better, more innovative service for our clients. We launched our Active Savings service to provide 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.

Through our relaunched Wealth 50, our Active Savings service, improved mobile experience and our HL Select funds, we demonstrate our constant desire to deliver new ways to help clients with their savings and investments in a way that suits them.

Our Workplace Solutions team deliver financial education to our corporate clients helping people to understand and engage with their finances.

Campaigning on behalf of UK 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:

- Leading an industry initiative to improve the transfer of investors' money between companies;
- Lobbying the DWP to give employees more control over their workplace pensions and improved access to pensions for the self-employed;
- Working with trade associations and HMRC to simplify Child Trust Fund and ISA rules;
- Challenging HMRC on the 'discount tax'. In March 2018, 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 before the end of 2019;
- Working with HM Treasury to support the new ban on cold calling to reduce the risk of pension fraud; and
- Lobbying industry and the DWP on the importance of engaging people with their workplace pension.

Employees

> Engaging our people by creating an inclusive, diverse and healthy workforce with equal opportunities for all.

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 people strategy

The strength of our people is pivotal to our business and we aim to motivate and inspire them to achieve greatness through:

- Attracting, developing and retaining outstanding people;
- Embedding a client centric culture where we live our values;
- Building a strong talent pipeline to enable the long-term success of the Group; and
- Supporting our people to deliver our strategic goals and lead change at pace.

Building diversity and inclusion

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. 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.

Chris Hill, CEO, is the Executive Committee member 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 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 and harassment.

We give full consideration to applications for employment from disabled persons. If colleagues become disabled the Group always strives to continue employment, either in the same or an alternative position, 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.

Our HL colleague networks aim to help support diversity and inclusion. They continue to grow their membership, activities and influence and include:

- Gender diversity group;
- Cultural diversity group;
- Kaleidoscope (LGBT+);
- Mental fitness group;
- Sports and social group;
- Environment, sustainability and climate change group; and
- Community engagement.

Gender pay gap

In early 2019 we published our second gender pay gap report. Chris Hill, CEO commented "Diversity and inclusion are extremely important to me. I believe in building a culture and environment that attracts, values and retains people from all walks of life, regardless of background and beliefs. The diversity of thought, experience and creativity will help us to understand and serve our increasingly diverse range of clients."

Although our gender pay gap is not yet where we want it to be we are making progress against our 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 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;
- The Board has a female Chair and three other female members giving female representation of 44%;
- The Chair and Chief Executive Officer 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;
- Fourth in FTSE 100 ranking of Women on Boards and in Leadership – Hampton-Alexander Review; and
- Greater support for colleagues who take career breaks, through improved parental 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**

Attracting and retaining outstanding people

Hargreaves Lansdown is an employer of choice for talented people. We use our Talent Acquisition Strategy and our Reward Strategy to ensure we attract and retain the right people to meet our short, medium and long-term business needs.

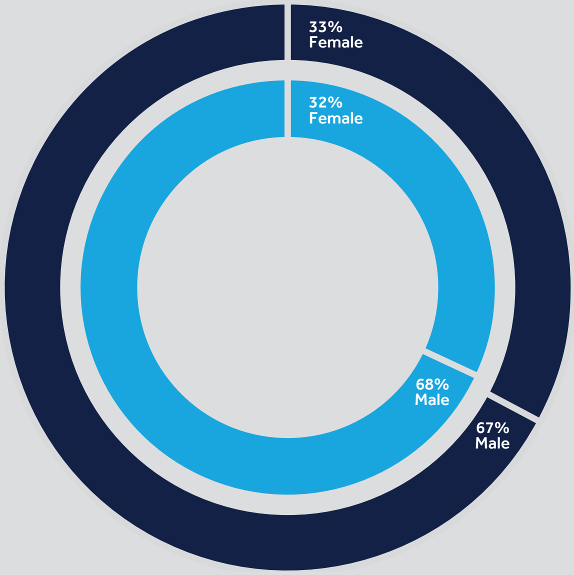
Our Talent Acquisition strategy aims to:

- Bring new talent and ideas to the business to increase equality, diversity and inclusion;
- Support parents with flexible working options, part-time opportunities and returning to work programmes;
- Create stronger links with local schools, colleges, universities and our local communities;
- Expand our apprenticeship schemes;
- Improve brand awareness among young talent and millennials; and
- Support future recruitment needs.

Key to attracting and retaining the best people is our approach to reward. We use independently benchmarked pay and benefits data to ensure we pay our colleagues fairly for the work they do. To complement our pay, we include the majority of our colleagues in a bonus scheme linked to the success of Hargreaves Lansdown and individual performance. The 'how' is just as important to us as the 'what' and colleagues are assessed on the delivery of their objectives, the behaviours they display and how they've demonstrated our values.

Our workforce

2019 total workforce FTE = 1,586
2018 total workforce FTE = 1,499



As at 30 June 2019

	Board of directors	Other senior management[1]	Total employees (FTE)
Female	4 (44%)	7 (18%)	516 (33%)
Male	5 (56%)	33 (83%)	1,070 (67%)

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 of Directors.

We believe that our employees should be able to share in the success of our business and all colleagues are eligible to sign up to our Save as You Earn (SAYE) scheme. As at 30 June 2019, 58% 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.

Developing people and building a talent pipeline

We have developed a range of schemes to widen our recruitment pool, improve diversity, and grow the skills and capabilities of our people including:

- Apprenticeships;
- Internships;
- Placements;
- Graduate scheme;
- Mentoring; and
- Secondments.

We offer two types of apprenticeship:

Our 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 consider applicants of any age.

The Career Development Apprenticeship (CDA) 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 2019, there were 12 people on the apprenticeship scheme and we added three more to this programme in the summer 2019 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 six interns in the year to 30 June 2019.

Our Industrial Placement Scheme is designed to give nine 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 before choosing a specialism. Graduates are coached by senior managers and directors, and mentored by previous graduates. At the end of the programme, the graduates find a role at HL that matches their personal skills and ambitions. We had three new graduates start the scheme this year, and expect four to start in September 2019. We welcome applicants from a broad range of backgrounds and we don't target specific universities or courses.

Corporate social responsibility continued

Learning and development is a key component of our People Strategy, and it's important to us that all colleagues have the opportunity to develop their skills regardless of experience, age, background, or role. We recognise the importance of building a pipeline of skilled and motivated talent for future leadership roles and have developed a robust talent framework to ensure we deliver this pipeline and retain those in business critical roles. We also believe in the need to encourage and support diversity through the pipeline and are committed to ensuring all colleagues are provided with equal opportunities for development and feel confident about progressing their careers. The Hargreaves Lansdown Learning Academy is used to house our new starter induction programme, career development programmes, manager training and team building events.

We have created a career development path for both specialist and managerial career streams, recognising the differences in skills required. We use this to help colleagues understand where they can develop. We use the 70:20:10 model to support our colleagues in their continuing personal and professional learning and development. Colleagues obtain 70 percent of their knowledge and development from job-related experiences, 20 percent from interactions with others, and 10 percent from formal educational events or exams.

Following research into diversity and inclusion at Hargreaves Lansdown, we launched the HL Career Confidence mentoring scheme in the year to 30 June 2019. The purpose of the scheme is to build confidence and support people from all backgrounds to achieve their career aspirations. Available to all colleagues, the first cohort consisted of 65 mentees. Mentoring has been shown to be helpful to improve both confidence and diversity and we will be expanding this scheme.

We also launched the South West Mentoring Awards to recognise people for their contribution to supporting diversity through mentoring and have developed the South West Mentoring Network to ensure that best practice is developed across organisations in the South West.

Employee engagement

It is widely recognised that an organisation whose employees are engaged with its purpose, values 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 presentations by the CEO, senior management insight talks, monthly CEO updates, weekly and monthly newsletters for all colleagues. Celebrating success and our achievements, 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 72% and our overall engagement score remained stable at 61%. Areas of particular strength included "colleagues who would recommend HL's products or services to a friend" (90% favourable) and "colleagues who believe the Company provides a high quality client experience (84% favourable).

Areas for improvement include "colleagues who receive high quality support from other business areas" (35% favourable) and "colleagues who believe pay is fair compared to similar work in other companies" (35% favourable).

Supporting wellbeing

Our people are central to delivering our vision and strategy; ensuring their well-being is of key importance to us. We do this through our excellent rewards package and a wider curriculum of activities and support, ensuring there is something for everybody.

As part of our colleague wellbeing programme, over the last year we have introduced a new Employee Assistance Programme, a mental health app, made mental health training available to managers, increased the numbers of qualified first aiders and have introduced Well-Being Champions, all supported by our HL Mental Fitness network group. We also participated in the Mind Wellbeing Index and survey for the first year and were commended with a 'Silver' award which demonstrates the importance of colleague wellbeing to us.

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, and our HL Sports and Social network helps to coordinate events. Many colleagues also do a variety of sporting activities to raise money for our HL Foundation. Other initiatives include Personal Development, Community Matters and Healthy Mind weeks where a range of workshops and classes are run to raise awareness and promote a healthy working environment for colleagues.

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.

This year we introduced a Human Rights policy 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. We continue to take 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 for dealing with making and accepting gifts and hospitality; on-line guidance and a suite of bespoke training programmes for raising staff awareness. Colleagues 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

> “Playing a positive, supportive and leading role in our local community.

We work to support our local schools, colleges, universities and communities through:

- Our volunteering scheme
- Actively engaging with Bristol City Council to support our community
- Fundraising for charitable causes
- Promoting financial inclusion

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.

Our colleagues are dedicated to doing the right thing and giving up their time to help charities and good causes. During the year we introduced the HL Volunteering Scheme giving people a chance to volunteer by having two days (or 16 hours) of the calendar year to offer their time, skills and experience to good causes. Initiatives run as part of our new volunteering scheme include working with Bristol Sport Foundation to support disadvantaged children, and providing volunteers to read to primary school children as part of the Bristol as a Learning City project. We want to ensure that we support children to ensure they have the best start in life to enable them to set a strong foundation for later years. Our volunteering scheme exceeded 500 hours volunteered in the first six months.

We were a founding signatory of the Bristol Equality Charter – a pledge by the signatories to take actions relevant to them, to improve equality and diversity across the city. We are a founder member of the Bristol Equality Network, and we have signed the Women in Business Charter.

We continue to be 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.

We were sponsoring partners of Bristol Pride and collected donations for the Easton Food Bank, East Bristol Foodbank and the Red Box (period poverty) Project.

We have continued to support the Stepping Up mentoring scheme and a project which mentors a group of students at a local Bristol school helping students at risk of disengaging with school systems to build confidence and aspirations, and promote different work opportunities within Bristol.

We take our responsibility to deliver financial inclusion and education seriously. We want to continue raising awareness about the importance of investing for your future, and saving from an early age.

Our service educates other organisations on investing and pensions and this is something we want to do more with schools and universities. Our financial inclusion group educates university students because it is important to build good financial habits early. Topics include: budgeting, savings and their future options.

Corporate social responsibility continued

The HL Charitable Foundation

The HL Charitable Foundation is the 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.

At Hargreaves Lansdown we want to do more than empower people to save and invest. We want to help the next generation, we want to support local communities, improve people's health and wellbeing and change people's lives for the better. The HL foundation enables us to raise money for charities who do all these things and more.

The charities supported are nominated and selected by employees and are as below.

In its second full year, the Foundation distributed £110,000 between the five charities. Fundraising activities by colleagues include the ever-popular payday lottery, bike rides, cake and other food sales, and sports tournaments.

All of the legal and administration costs are met by the Group so 100% of the money raised goes to the employee nominated charities.

More details can be found on the website **www.hl.co.uk/about-us/hl-foundation**

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

The Environment, sustainability and climate change

"Building a lifelong, sustainable and responsible business.

We take our responsibilities toward the environment and climate change seriously and continue to promote energy efficiency and the avoidance of waste throughout our operations. 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.

Doing it better for our clients:
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. As a result, 78% of our clients now use our paperless service.

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 over time but but saw no increase during the year.

	30 June 2019	30 June 2018	Change
Vantage clients registered as paperless	**78%**	78%	–
Vantage client equity deals placed online	**98%**	98%	–
Clients registered to use our online services	**90%**	90%	–

Where we do send out paper, such as our flagship magazine the "Investment Times", we try to use sustainable resources and minimise our use of plastic. The Investment Times is now sent in recyclable paper envelopes rather than degradable plastic.

We recognise that sustainability and ethical behaviour is increasingly important to our clients and we provide investment information, research and guides on ethical investing to support our clients, in addition to the inclusion of an ethical fund in our Wealth 50.

Doing it better for our colleagues:
We shred and recycle confidential waste, recycle 100% of our general waste, plus run educational talks to promote recycling. We donate old office and IT equipment to schools and charities where appropriate or dispose of via specialist third parties.

We encourage colleagues to walk or cycle to work. We promote our 'cycle to work scheme' and offer bike storage and showering facilities. The secure bike park at our HQ enables up to 180 staff to cycle to work. 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. More colleagues 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.

Colleagues are passionate about working together to do it better and have formed an environmental, sustainability and climate change networking group, which aims to educate and promote initiatives to reduce our carbon footprint through talks, events and written articles for staff.

Doing it better for the wider community:
HL is listed on the FTSE4Good index series, demonstrating our strong environmental, social and governance principles, 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

HL is part of a network of organisations that has pledged to work towards a sustainable city with a high-quality of life for all, by signing up to the Bristol Green Capital Partnership. To support creating a sustainable city, we source 100% of our energy from renewable sources

HL colleagues have the opportunity to volunteer in projects which have a positive impact on the environment, such as "One Tree Per Child" and the" Incredible Edible" project.

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. We also support the Carbon Disclosure project by reporting our CO2 emissions.

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 2018 emission factors provided by DEFRA. The Group's Scope 1 and 2 emissions for the year to 30 June 2019 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 2019 our emissions per employee decreased by 23%.

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 2019 was £59.5 million (2018: £64.0 million). The reduction was due to overpayments of corporation tax in prior years. In addition, we pay other taxes such as VAT, stamp duty and business rates.

Our full tax strategy is available at **www.hl.co.uk/about-us/tax-strategy**.

	Tonnes of CO2e		
Emissions from:	**Current reporting year 2018-2019**	**Comparison year 2017-2018**	**Change**
Scope 1 – Combustion of fuel and operation of facilities	**992.1**	1,285.0	-23%
Scope 2 – Purchased energy for own use	**1,009.6**	1,036.9	-3%
Tonnes of CO_2e per average full-time equivalent employee	**1.27**	1.66	-23%

GOVERNANCE

Chair's introduction

Retaining focus on our values when formulating and implementing our strategy and operating plans will help us to ensure that we continue to deliver sustainable growth.

Dear Shareholder
I am pleased to introduce our corporate governance report, which provides an overview of the Group's governance structure and the activities of your Board, along with confirmation of how we have complied with the requirements of the UK Corporate Governance Code during the year to 30 June 2019.

Board role
The primary role of the Board is to provide leadership to the Group and ensure its long-term, sustainable success. It does so by setting and overseeing the Group's long-term strategic objectives within a framework of robust corporate governance and risk management practices. Since I joined the Board in February 2018, significant work has been carried out on articulating and embedding the Group's culture and core values. I firmly believe that retaining focus on our values when formulating and implementing our strategy and operating plans, and enhancing our risk management framework, will help us to ensure that we continue to deliver sustainable growth for our shareholders, our clients and our employees.

Concerns over Brexit and overarching macroeconomic uncertainty have made this a challenging year. However, the Board is proud to have overseen the continued execution of our strategy. Our strong growth, resilience in the face of volatile market conditions, and increase in market share during the year is underpinned by our relentless focus on our clients.

This focus came to the fore and is illustrated by our response to the recent suspension of trading in the high profile Woodford Equity Income Fund, which was a key consideration for the Board and its committees. The Group's top priority has been helping our clients through this difficult period. The Board has fully supported the swift and decisive action taken by the Group's management in response to this issue, and will continue to oversee and provide support and guidance until the situation is resolved.

Board effectiveness and governance framework
During 2018, the Board carried out an externally facilitated Board evaluation and effectiveness review, further details of which can be found on page 56 of The corporate governance report. As a result of a recommendation in this review, I have overseen an in-depth review of the Group's governance structure. This has included a review of the roles and responsibilities of the Board committees and the Group's other committees, and how they interact with the Board, the Group's management and its subsidiary boards. This review is being carried out in parallel with the ongoing implementation of the requirements of the Senior Managers and Certification Regime (SMCR) to ensure alignment and adherence to governance best practice.

Board changes
The Board welcomed Dan Olley as a new Non-Executive Director during the year under review. Dan was formally appointed on 1 June 2019 and brings valuable experience in information technology to the Board. Further information about Dan's appointment can be found on page 89 of the Nomination Committee report. His biography, along with those of the other Directors, can be found on pages 51 to 53.

We also welcomed Alison Zobel as Group Company Secretary and General Counsel. Alison joined us as General Counsel in September 2018 and was formally appointed as Company Secretary in January 2019. Alison has been closely involved in the review of the Group's governance structure and will play a key role in implementing changes and supporting the Board and its committees going forward.

Stakeholder engagement
The Board pays close attention to the impact of its decisions and activities on all of the Group's stakeholders. Further details of how we engage with stakeholders can be found on pages 14 to 15 of the Report and Financial Statements.

A key step already taken in anticipation of the application of the 2018 UK Corporate Governance Code is the creation of the HL Colleague Forum. This aims to strengthen the voice and engagement of our people and assist the Board in making more informed decisions in the interests of the Group and its stakeholders.

We look forward to welcoming shareholders to our AGM on 10 October 2019.

Compliance with the Code
I am pleased to report that, having considered the provisions of the 2016 UK Corporate Governance Code, the Board is satisfied that the Company has fully complied with them throughout the year ended 30 June 2019.

The Code sets out the standards of good practice in relation to how a company should be directed and governed. It is published by the FRC and further information can be found on its website at **frc.org.uk**.

Further information on the Company's compliance with the Code and preparations for the application of the 2018 UK Corporate Governance Code for the next financial year can be found in the corporate governance report.

Deanna Oppenheimer
Chair

7 August 2019

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 Senior Independent Director 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, among 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 Director 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 developing culture, risk management and governance. 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 and the FCA Practitioner Panel.

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.

Non-Executive Directors

Shirley Garrood
Senior Independent 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 Chair and Senior Independent Director of esure Group plc.

Non-Executive Director and Chair of the Audit and Risk Committee of the BBC Board.

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
Chair of the Nomination Committee and Non-Executive Director of Paragon Banking Group plc,

Non-Executive Director of Sampo plc.

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, Nationwide Building Society and Electra Private Equity plc. 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 Chair of the Audit Committee at TP ICAP plc.

Non-Executive Director and Chair of the Audit Committee at 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. Until 30 March 2019, she was Chief Investment Officer at MS Amlin, where she was responsible for running their global multi-asset, multi-manager portfolios and was Chief Executive Officer of MS Amlin Investment Management Limited. At the end of March, Jayne also stepped down from the Corporation of Lloyd's Investment Committee. 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. She is also a qualified business coach.

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

Other current appointments
None.

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

Senior Independent Director of Clipper Logistics plc

Chair of Bristol Energy Ltd.

Dan Olley
Independent
Non-Executive Director

Appointed to the Board
June 2019

Skills and experience
Dan is a seasoned senior technology leader with a track record of driving digital transformations in established businesses, including financial services, insurance, business information solutions, research and healthcare. He brings a problem solving and analytical skill set, along with experience of successfully implementing advanced technologies to drive both revenue growth and operational process efficiency and optimisation.

Committee membership
Risk Committee

Other current appointments
Executive Vice President and CTO at Elsevier, a division of RELX, the FTSE 100 information-based analytics company.

Hargreaves Lansdown plc Board

Audit Committee
- Oversees the Group's financial reporting
- Monitors the adequacy and effectiveness of the Group's internal controls that support the integrity of its financial reporting
- Monitors the Group's internal and external auditors

Investment Committee
- Oversees and challenges the Group's investment business
- Monitors risks associated with the Group's investment business

Nomination Committee
- Monitors the composition of the Board to ensure it remains appropriate
- Recommends appointments to the Board and its Committees
- Conducts succession planning for the Board and senior management

Remuneration Committee
- Determines the remuneration policy for the Executive Directors, Chair and other Material Risk Takers
- Approves the annual performance objectives for the Executive Directors and other Material Risk Takers
- Reviews policies for the remuneration of employees generally, and takes these into account when setting the policy for Executive Director remuneration.

Risk Committee
- Reviews the design and implementation of the Group's 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 ICAAP

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

Executive Committee

CASS Committee
- Oversees the operational effectiveness of the Group's processes and controls for the segregation of client money and safeguarding of custody assets
- Oversees the annual CASS audit and the completion and submission of periodic regulatory returns

Executive Risk Committee
- Challenges and oversees the effectiveness of the Group's risk management activity
- Oversees and monitors the Group's regulatory reporting and capital requirements
- Oversees and advises the Executive Committee on the Group's current risk exposures and future risk strategy

Product Governance Committee
- Oversees the Group's client proposition and the governance arrangements for its products and services
- Oversees the Group's policy for admitting investments to its platform

Treasury Committee
- Oversees the management of client money and the Group's own cash balances within the regulatory framework
- Determines the Group's risk appetite for treasury activities and approves eligible counterparties

Leadership

The Board is responsible for providing leadership and challenge to the Group. It is responsible for setting and monitoring the Group's long-term strategic objectives, culture and values, and for developing robust corporate governance and risk management practices.

The Board has ultimate responsibility for ensuring the Group is managed effectively and in the best interests of the Company's shareholders and other stakeholders, including the Group's clients, employees and regulators. The Board operates within a formal schedule of matters reserved, which is reviewed and updated on a regular basis and can be summarised as follows:

- Establishing the Group's strategic aims and objectives;
- Oversight of the Group's operations;
- Setting the Group's culture and values;
- Overseeing the Group's financial reporting and controls;
- Approving changes to the Group's capital and governance structure;
- Approving the Company's dividend policy and dividend payments;
- Oversight of regulatory compliance and internal control;
- Oversight of the Group's governance structure;
- Determining the Group's remuneration policy;
- Approval of communications to shareholders;
- Monitoring Board membership and succession planning; and
- Approving Group policies.

Board and Executive Committees

The Board delegates responsibility for certain matters to its Committees. The outputs from each Committee meeting are reported to the Board by each Committee's respective Chair to maintain the necessary oversight.

All Committees have access to independent expert advice and the services of the Company Secretary. The constitution and terms of reference of each Committee are reviewed annually to ensure that it is operating effectively and any changes or updates required are recommended to the Board for approval.

The Board delegates day-to-day management responsibility for the Group to the Chief Executive Officer. The Chief Executive Officer has established an Executive Committee, which has responsibility for developing the Group's business, delivering against the strategy approved by the Board, ensuring the effective management of day-to-day operations, and its risk and internal control mechanisms.

The Executive Committee has established four Executive Sub-committees to assist it in managing the Group's business.

Each of the Executive Sub-committees operates under defined terms of reference with clear responsibilities.

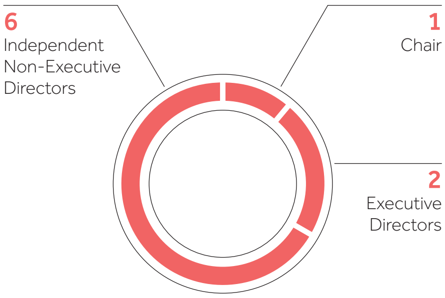
Group entity governance

The Company has three subsidiaries that are authorised and regulated by the FCA. These are Hargreaves Lansdown Asset Management Limited, Hargreaves Lansdown Advisory Services Limited and Hargreaves Lansdown Fund Managers Ltd. In addition, Hargreaves Lansdown Savings Limited is authorised by the FCA under the Payment Services Regulations 2017. Between them, these four subsidiaries carry out the Group's financial services business of providing regulated products and services. Hargreaves Lansdown Stockbrokers Limited ceased to be authorised and regulated by the FCA in the year to 30 June 2019, having transferred its business to Hargreaves Lansdown Asset Management Limited on 1 February 2017. The Executive Directors and various members of the Executive Committee currently serve as Directors of these subsidiaries.

Board composition

There is an appropriate combination of Executive 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 2019, there were nine members of the Board; the Non-Executive Chair, Chief Executive Officer, Chief Financial Officer and six Independent Non-Executive Directors.

Composition of the Board



Board changes

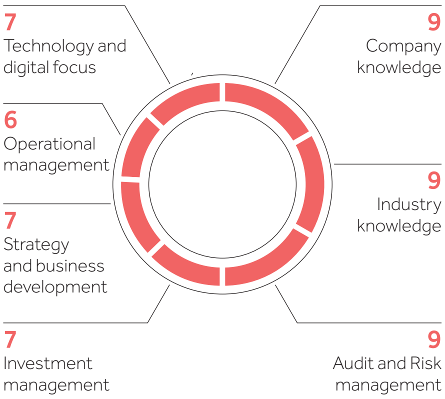
The Company welcomed Dan Olley to the Board on 1 June 2019 as a Non-Executive Director. He also became a member of the Risk Committee on 6 August 2019. There have been no other changes to the composition of the Board during the year to 30 June 2019.

The Nomination Committee leads the process for Board appointments and makes recommendations to the Board for approval. On joining the Board, Non-Executive Directors receive a formal appointment letter, which sets out the time commitments expected of them. Executive Directors' service agreements and the Non-Executive Directors' appointment letters are available for inspection during business hours at the Company's registered office.

Board experience

The composition, skills and experience of the Board are kept under constant review by the Nomination Committee. The Non-Executive Directors have strong and relevant experience across all aspects of financial services and the Board as a whole is considered to have an appropriate balance of skills and experience. 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.

Sector experience (number of Directors)



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. A comprehensive Board pack and agenda is circulated prior to meetings to give Directors the opportunity to consider the issues to be discussed, and detailed minutes and any actions are documented. 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 an appropriate amount of time is devoted to each agenda item. In addition to regular, scheduled meetings, ad hoc Board meetings may be held outside the scheduled cycle where circumstances require. For example, meetings may be held 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 records for the year to 30 June 2019 are set out below.

Each member of the Board has access to all relevant information relating to the Group, the advice and services of the Company Secretary and, as required, external advice at the expense of the Group. The Board receives detailed reports from management on the performance of the Group at its Board meetings and other information as necessary. Updates are also provided on relevant legal, corporate governance and financial reporting developments.

Board attendance

Director	Position	Eligible meetings	Attended meetings
Deanna Oppenheimer	Chair	6	6
Fiona Clutterbuck	Non-Executive Director	6	6
Shirley Garrood	Non-Executive Director	6	6
Chris Hill	Executive Director	6	6
Philip Johnson	Executive Director	6	6
Dan Olley[1]	Non-Executive Director	1	1
Roger Perkin	Non-Executive Director	6	6
Stephen Robertson	Non-Executive Director	6	6
Jayne Styles	Non-Executive Director	6	6

1 Appointed on 1 June 2019

Board activities for the year to 30 June 2019

Topic	Aug	Oct	Dec	Jan	Apr	Jun
Business performance and strategy (including deep dives)	●	●	○	●	●	●
Finance, reporting and audit	●	●	○	●	●	●
Risk, governance and regulatory	●	●	●	●	●	●
IT and cyber security	○	●	○	●	●	○
ICAAP	○	○	●	○	○	○

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 during 2018, the results of which were presented to the Board in October 2018. The process was facilitated by an external consultancy with no connection to the Group, Boardroom Review Limited, and involved separate interviews with each Director, Board and Committee observation, paper review and open Board discussion on the findings. The review covered a number of topics including governance, Board composition, Board skills, diversity, dynamics and operation, succession planning and Committee composition and effectiveness.

A key objective of the evaluation is to recognise strengths and address areas of perceived weakness to enable the Board to improve its operation and efficiency so that it is best placed to support the Group in achieving its future strategic aims.

The Board evaluation process found that the Board had significant strengths on which to build. Of particular note is the strong leadership from the Chair and Chief Executive Officer, the development of a value-adding, open and supportive Board environment, the presence of a strong and positive corporate culture, and the healthy relationship with the Group's regulator.

The key areas identified for increased focus and development included the continued development of the Group's governance framework with a particular emphasis on risk management and culture, optimising the Board's use of time through improved information flows and agenda planning, and embedding a continuous strategic process to promote in-depth discussion on strategic priorities. The Board has taken steps to implement the recommended actions from the evaluation and will continue to do so over the course of the coming year.

In line with the Code, the Board is in the process of carrying out an internally run evaluation of its effectiveness and that of its Committees for the current year.

A key recommendation of the 2018 Board effectiveness evaluation was to carry out a review of the Group's governance framework. A number of changes to the Group's decision-making structures and Committees have been approved as a result of this review. This includes streamlining responsibilities and reporting lines to promote more efficient and effective decision-making processes, and reassigning the responsibilities of the Investment Committee. The finalisation and implementation of these changes is anticipated to take place in the year ending 30 June 2020. Further details will be provided in next year's report.

Board allocation of time

During the year to 30 June 2019, the Board has devoted significant time to considering the Group's:

- Business and financial performance including a review of the three-year operating plan;
- Strategy;
- Risk management framework and corporate governance;
- Capital and liquidity adequacy;
- Regulatory obligations, in particular the upcoming implementation of the Senior Managers and Certification Regime (SMCR);
- Values and culture;
- Technology and cyber requirements;
- Control environment; and
- Projects and IT investment.

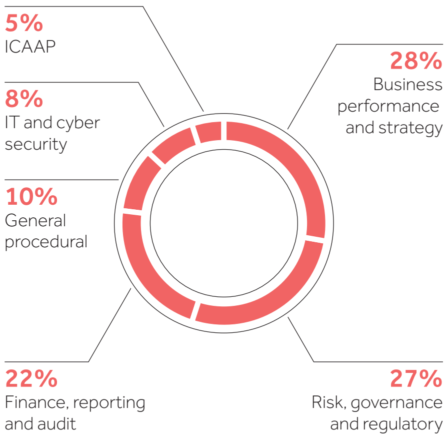
The Board also spent a significant amount of time at the end of the year under review considering the implications of, and the Group's response to, the suspension of trading in the Woodford Equity Income Fund on 3 June 2019. The Group's priority has been to support our clients who have been affected by the suspension and to keep them informed of developments.

The Board supported the quick and decisive response by the Group's management to communicate the suspension to clients, waive its platform administration fee on direct holdings in the fund, and ensure that the Helpdesk and other client facing teams were properly resourced to answer clients' questions.

The Board continues to encourage the Group's active engagement with external stakeholders, such as Link, Woodford Investment Management and the FCA, and will receive regular updates and provide guidance on the Group's response until the situation is resolved.

The Board is determined to understand and learn from the events that contributed to the situation being faced by many of our clients and will ensure that any changes to the Group's governance structure deemed desirable as a result of the events that occurred are implemented as appropriate.

Overview of activities during the financial year (% of time spent)



Roles and responsibilities

Chair and Chief Executive Officer

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

The role of the Chair

The Chair, Deanna Oppenheimer, is responsible for the leadership of the Board and the effective discharge of its duties. This includes setting the Board agenda, ensuring that sufficient time is available for adequate discussion of all agenda items, and facilitating diverse debate by encouraging input from all Board members. She is also responsible for ensuring the effective governance of the Group and the maintenance of strong and positive links between the Board, senior management and the Company's shareholders.

The key responsibilities of the Chair are:

- Chair the Board and the Nomination committee;
- Leadership of the Board, ensuring its effectiveness in all aspects of its role and setting its agenda;
- Ensure that the Directors receive accurate, timely and clear information;
- Ensure there is effective communication with the Company's shareholders and other stakeholders;
- Facilitate the effective contribution of Non-Executive Directors and ensure constructive relations between the Executive and Non-Executive Directors;
- Promote the Group's culture and values;
- With the assistance of the Company Secretary, facilitate the annual review of the Board's effectiveness; 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 the appointment or resignation of Directors.

The role of the Chief Executive Officer

The Chief Executive Officer, Chris Hill, is the Executive Director responsible for the day-to-day running of the Group's business and is accountable to the Board for its operational and financial performance. The key responsibilities of the Chief Executive Officer 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 communicate its decisions and recommendations to the Board;
- Review the operational performance and strategic direction of the Group's business;
- 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 and promote adherence to its culture and values.

Senior Independent Director

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

The key responsibilities of the Senior Independent Director are:

- Act as an intermediary between the Chair and the other Directors and the Company's shareholders;
- Act as a sounding board for the Chair;
- Chair the Nomination Committee when considering the succession of the Chair; and
- Meet with other Non-Executive Directors to appraise the Chair's performance.

Non-Executive Directors

The Non-Executive Directors are all independent of management and bring valuable skills, experience and an external perspective to the business conducted by the Board. They 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, and monitor its success in delivering against the approved 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 regulations. In addition, she supports the Chair in the design and delivery of the Non-Executive Director induction and ongoing training programmes.

The Company Secretary is also the secretary for the Committees. The removal and appointment of the Company Secretary is a matter reserved for the Board.

Board balance, independence and time commitment

The Board comprises individuals with wide business skills and experience. The balance of skills and experience is considered appropriate for the requirements of the Group's 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 Group's business.

The Board regularly reviews its structure, size and composition (as well as its balance of skills, knowledge and experience) to ensure that the balance between Executive and Non-Executive Directors reflects the changing needs of the Group's business. The membership of the Committees and the expected time commitments are also kept under constant review, as is the Group's policy for the appointment of Executive and Non-Executive Directors.

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 year to 30 June 2019 and concluded that Fiona Clutterbuck, Shirley Garrood, Dan Olley, Roger Perkin, Stephen Robertson and Jayne Styles are independent. The Board has therefore satisfied the Code requirement 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 management, the Company's 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. The Board is required to approve any actual or potential conflicts of interest and they are recorded in a central register. The Board will take into account the circumstances of the conflict when deciding whether or not to grant such approval and whether to impose conditions on the Director in the interests of the Company. 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.

Induction and professional development

On appointment, all new Directors receive a comprehensive and tailored induction, having regard to their previous experience both professionally and as a director (of a public company or otherwise).

An ongoing programme of training is available to all members of the Board. During the year to 30 June 2019, this has included internal online training and bespoke Board training on relevant topics such as cyber security, the Code, relevant regulatory developments and the products and services provided by the Group. Directors are also encouraged to devote an element of their time to self-development.

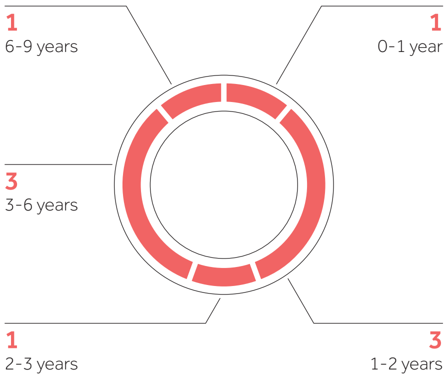
Board diversity

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. The Board is currently composed of five male and four female members, and gender balance (among other diversity metrics such as ethnicity) is taken into account when planning future appointments to the Board.

Succession planning

The Board conducts succession planning to ensure that it has the necessary skills, knowledge and expertise in place to deliver the Group's strategy and effectively discharge its responsibilities. The recruitment of new Directors is based upon merit against objective criteria. The Nomination Committee has specific responsibility for the recruitment of Executive and Non-Executive Directors and recommends candidates to the Board for approval. It also regularly reviews the structure, size and composition of the Board to ensure it remains appropriate for the Group's needs, and makes recommendations to the Board where it considers changes are required. More information can be found in the Nomination Committee report.

Length of tenure of Non-Executive Directors and Chair



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. Having been appointed to the Board on 1 June 2019, Dan Olley will be seeking election at the 2019 AGM. The Company's Articles of Association and the Code also require all other Directors to seek re-election at each AGM. Each of the other Directors will therefore be seeking re-election at the 2019 AGM. The Board explains the reasons why it believes each Director should be elected or re-elected in the Notice of Meeting for the AGM. The Board believes that it continues to be effective and that the election and re-election of the Directors is consistent with its evaluation of the appropriateness 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 success of the Group's business. The Strategic report sets out in more detail how the Board engages with the Group's key stakeholders including its clients, employees, shareholders and society.

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

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

The Chair, Chief Executive Officer and Chief Financial Officer 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 2018 final and 2019 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 set out in the Listing Rules are complied with. The terms of the agreement have been complied with during the year to 30 June 2019.

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 but not eliminate risk and is reviewed during the course of the year by the Internal Audit function. The methods for reviewing the effectiveness of the control environment provide the Group with assurance against losses and material errors.

The Group's 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 the 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.

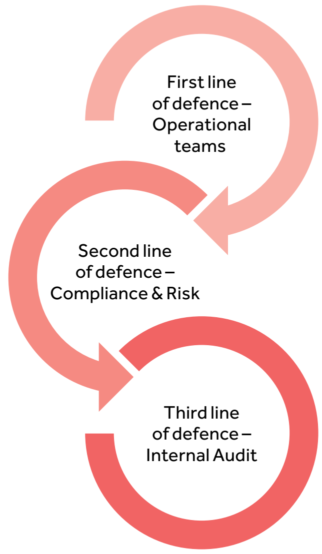
To ensure its independence, the Internal Audit function reports to the Audit Committee and is subject to an external effectiveness review on a periodic basis.

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. The results of these audits are reported to the Executive Committee and the Board and are shared with the relevant operational teams so that recommended actions can be implemented and identified risks mitigated. The progress against actions is monitored and reported on by the Internal Audit function and Compliance Monitoring team respectively.

The Board considers acceptance of appropriate risks to be an integral part of business and unacceptable levels of risk are avoided or reduced. Where the Group outsources activities to third parties, it recognises that it retains responsibility for its business 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 Chief Risk Officer 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 believes that the ongoing process for identifying, evaluating and managing principal risks enables the Group to achieve its strategic objectives effectively. The process was in place for the year ended 30 June 2019 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 from 1 July 2018 to 30 June 2019.



Compliance with the UK Corporate Governance Code

The version of the Code published by the FRC in April 2016 applied to the Company for its financial year ended 30 June 2019. Further details can be found on the FRC's website at www.frc.org.uk.

The Directors consider that the Company has been in compliance with the provisions of the Code throughout the financial year ended 30 June 2019.

A revised version of the UK Corporate Governance Code was published by the FRC in July 2018 and will apply to the Company from 1 July 2019. The Board is aware of the changes being implemented by the revised Code, and has taken steps to prepare for its application. This has included the creation of the HL Colleague Forum to strengthen the voice and engagement of the Group's workforce, and a continued emphasis on the Group's culture through an increased focus on its core values and behaviours.

It is the Board's belief that the Report and Financial Statements taken as a whole are fair, balanced and understandable and provide the information necessary for the Company's shareholders to assess the Group's position and performance, business model and strategy.

Audit committee report

Dear Shareholder

The Audit Committee continues to support the Board on matters related to financial reporting, internal controls and audit.

During the year, the Committee has scrutinised the financial disclosures made in the Report and Financial Statements and interim statements, and considered the significance of accounting judgements including the Group's income recognition, changes to the accounting standards applicable to the Group (notably the application of IFRS 9 and IFRS 15, and preparations for the adoption of IFRS 16) and the continued capitalisation of development costs for Active Savings. The Committee also oversaw an informal audit of HL Tech ahead of its first full statutory audit for the year under review, and considered the potential impact of Brexit on the Group's financial performance.

The Committee has engaged in continued oversight of the adequacy of the Group's CASS controls and progress on planned improvements to its internal control environment. It has also continued to work closely with the Head of Internal Audit to oversee further enhancements to the Group's Internal Audit regime and ensure it is adequately resourced.

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

Roger Perkin
Chair of the Audit Committee

Attendance at Committee meetings during the year to 30 June 2019

Member	Position	Eligible meetings	Attended meetings
Roger Perkin	Chair	●●●●●	●●●●●
Fiona Clutterbuck	Non-Executive Director	●●●●●	●●●●●
Stephen Robertson	Non-Executive Director	●●●●●	●●●●●
Jayne Styles	Non-Executive Director	●●●●●	●●●●●

Key Committee activities for the year to 30 June 2019

Topic	Aug	Oct	Jan	Apr	Jun
Internal Audit	●	●	●	●	●
Financial reporting including year end and ARA	●	●	●	●	●
CASS and other internal controls	●	●	●	●	●
External Audit	●	●	●	●	●
Routine	●	●	●	●	●
Compliance including whistleblowing	○	●	●	●	●
Operations control framework	○	○	●	○	○
Conflicts	○	○	○	●	○
Tax strategy	○	○	○	○	●

FIND OUT MORE

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.

Role of the Audit Committee

The role of the 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 the External Auditor's remuneration and terms of engagement. The Committee's duties include keeping under review the scope and results of the External Auditor's 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 available from the Investor Relations pages of the Group's website at **www.hl.co.uk.**

The Committee's key responsibilities are:

- Monitoring the financial reporting process including the integrity of the Report and Financial Statements, interim financial statements, trading updates and any other formal announcements relating to the Group's financial performance;
- Reviewing the consistency and continuing appropriateness of the Group's accounting policies;
- Ensuring that the Report and Financial Statements, taken as a whole, are fair, balanced and understandable, and provide the Company's 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 its internal control systems generally;

- 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 account applicable professional and regulatory requirements;
- Making recommendations to the Board for resolutions to be put to the Company's shareholders at a general meeting to approve the appointment or removal of the external auditor along with its remuneration and terms of engagement; and
- Overseeing the Group's procedures for public interest disclosure (whistleblowing).

Details of how the Committee has discharged these responsibilities in the year to 30 June 2019 are set out below.

Audit Committee membership and meeting attendance

Roger Perkin (as Chair), Fiona Clutterbuck, Stephen Robertson and Jayne Styles each served on the Committee throughout the year to 30 June 2019. All members of the Committee are Independent Non-Executive Directors.

The Board considers that the Committee has an effective balance of skills and experience to perform its responsibilities. Each of Roger Perkin, Fiona Clutterbuck and Jayne Styles have significant experience of the asset management sector and wider financial services industry. The Code requires at least one member to have recent and relevant financial experience. This requirement was and continues to be fulfilled by the current Committee Chair, Roger Perkin.

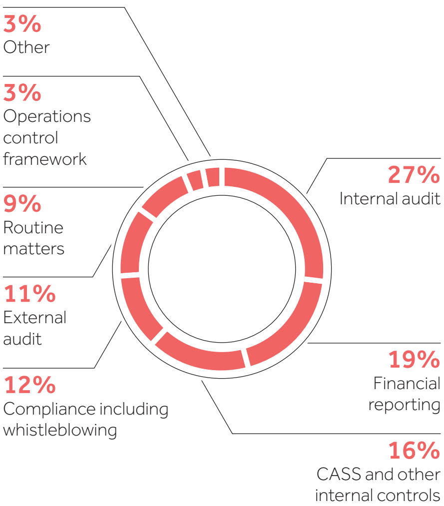
Ongoing training is provided to help Committee members perform their duties. This may include attendance at formal conferences, briefings by specialist employees and briefings by external speakers (such as accountancy firms). The Committee has access to the services of the Company Secretary and is authorised to obtain independent professional advice where it considers it necessary.

Committee appointments are made for a three-year period and can be extended for no more than two additional three-year periods. Membership of the Committee is regularly reviewed by the Committee Chair, who makes any recommendations for appointments to the Nomination Committee for consideration prior to Board approval.

The Committee meets at least five times each year. The attendance record for each Committee member is set out in the table on page 61. Other individuals attend at the request of the Committee Chair and will usually include the Chair of the Board, Chief Financial Officer and Head of Internal Audit. 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. The Company Secretary acts as secretary to the Committee.

Time spent on key areas of responsibility

Overview of activities during the financial year



Key areas of focus during the year to 30 June 2019

Financial reporting

Financial statements

The Committee has reviewed and discussed the financial disclosures made in the Report and Financial Statements and interim statements published by the Company, together with any related management letters, letters of representation and reports from the External Auditor. Significant financial reporting issues and judgements were considered, as were the Group's accounting policies and any significant changes proposed to them. The Committee's review of the Group's financial statements has included:

- Monitoring their integrity and reviewing significant accounting policies;
- Reviewing and reporting to the Board on significant financial issues and judgements (as further detailed below) and challenging management where necessary on those issues and judgements;
- Reviewing the Report and Financial Statements and advising the Board whether, taken as a whole, they are fair, balanced and understandable (as further detailed below); and
- Assessing and challenging the going concern and viability assessment undertaken by management (as further detailed below).

Accounting judgements and significant issues

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 oversight of the Group's CASS controls, which have provided confidence in the revenue calculation. Further confidence has been provided by the External Auditor from its approach to fully recalculating the Group's significant revenue streams. Sample-based testing is also conducted for those revenue streams not fully recalculated.

Accounting standards
The Committee has considered the impact of IFRS 9 (Financial Instruments) and IFRS 15 (Revenue from Contracts with Customers), which have been applied for the first time in the Report and Financial Statements and interim statements published by the Company in the year to 30 June 2019. IFRS 16 (Leases) will be adopted by the Group in the financial period commencing 1 July 2019. During the period, the Committee has reviewed and approved the calculation methodology that will be applied, and details of the quantitative impact can be found on page 127.

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 2019, £2.3 million (2018: £4.3 million) has been capitalised in respect of the Active Savings platform. In line with the Group's capitalisation policy, development costs relating to updates and improvements to the Group's core systems have also been capitalised for the year to 30 June 2019.

Goodwill
The statement of the Group's financial position shows £1.3 million of goodwill relating to the acquisition of shares in Hargreaves Lansdown Pensions Direct Limited (now called Hargreaves Lansdown Advisory Services Limited). 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 30 June 2022 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 accompanying the viability statement on page 26 of the Strategic report.

Tax administration
The Committee has considered how the Group administers the taxation of assets held by its non-UK clients. The Committee has also been kept informed on progress of HMRC's 'know your customer' review and considered the potential implications of HMRC's appeal of the tax tribunal's decision on the taxation of loyalty bonuses.

Share-based payments
The Committee reviewed the key assumptions used for the valuation of options granted under 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 2019 Report and Financial Statements.

HL Tech
Ahead of its first full statutory audit for the year ended 30 June 2019, a non-statutory audit of HL Tech was carried out by PricewaterhouseCoopers LLP (PwC) during the period. The Committee reviewed the outcome of the audit, and all findings were resolved prior to 30 June 2019.

Tax strategy
The Committee has reviewed and approved the Group's tax strategy noting the Group's low appetite for tax risk and planning in accordance with the Finance Act 2016. This has been made publicly available on the Group's website at **www.hl.co.uk/about-us/tax-strategy.**

Brexit
The Committee has considered the potential impact of Brexit on the Group's financial performance. Until certainty is reached, Brexit will continue to impact markets and consumer confidence. However, the Committee considers Brexit to be a short-term trading risk rather than a longer-term threat to the Group's business model.

Fair, balanced and understandable
The Committee has considered on behalf of the Board whether the Report and Financial Statements for the year ended 30 June 2019, taken as a whole, are fair, balanced and understandable, and whether appropriate disclosures have been made with respect to any developments during the year. In carrying out its assessment, the Committee has considered the robust procedures around the preparation, review and challenge of the Report, the consistency of the narrative sections with the Financial Statements, and whether there is an appropriate balance between challenges and weaknesses, successes and strengths. Each section of the Report is drafted by the senior manager with overall governance and coordinated 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 assessment, the Committee is satisfied that the Report and Financial Statements are fair, balanced and understandable, and provide the information necessary for the Company's 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 to the Board on the Group's risks and controls. The Group's system of internal control and risk management is designed to manage rather than eliminate risk in order to achieve the Group's objectives. Its objective is to provide reasonable rather than 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, the Internal Audit function and the External Auditor. The Committee challenged key management personnel on the content and veracity of those reports; and
- Received reports on the effectiveness of the Group's operations control framework and compliance monitoring.

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 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

The Group's Internal Audit function's work is focused on the 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 function and the scope of its work continues to evolve taking into account changes within the Group's 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 Internal Audit function, the Committee has reviewed and approved its terms of reference as set out in the Internal Audit Charter, the annual audit plan and the internal audit methodology, and has monitored progress against the plan during the year. The Internal Audit function 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 the reports and the External Auditors' management letter. The Committee monitors and reviews the Internal Audit function's effectiveness by obtaining feedback from the Board and senior management. The Committee also assesses annually the resources the Internal Audit function requires to satisfy its remit and, where necessary, puts co-source arrangements in place enabling the Internal Audit function to commission the support of subject matter and technical experts where needed. The Internal Audit function has unrestricted access to Group documentation, premises, functions and employees as required to enable it to perform its duties. The appointment and removal of the Head of Internal Audit is the responsibility of the Committee.

The Committee has assessed the effectiveness of the Internal Audit function and is satisfied with its performance, progress and effectiveness during the year to 30 June 2019.

External Audit

The Committee has responsibility for overseeing the relationship with the External Auditors and has done so throughout the year to 30 June 2019. In satisfying its duties the Committee has:

- Approved the External Auditors' engagement letter, audit fee and audit plan (including levels of materiality);
- Approved the External Auditors' management letter;
- Received regular detailed reports from the External Auditors, including a formal written report dealing with the audit objectives; the External Auditors' qualifications, expertise and resources; the effectiveness of the audit process; the procedures and policies for maintaining independence; and compliance with the ethical standards issued by the Auditing Practices Board;
- Reviewed the findings of the External Auditors and considered the response of the Group's management;
- Monitored and confirmed the objectivity and independence of the External Auditors;
- Met with the External Auditors without the Group's executive 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 Auditors and the audit process. This appointment included seeking the views of Committee members, the Executive Directors and senior managers, and concluded that the external audit process was effective. The Committee is satisfied with the performance of the External Auditors 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 upcoming AGM.

Non-audit fees

The External Auditors provide certain non-audit services to the Group, 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 Auditors for non-audit work has been agreed by the Committee. In accordance with the policy, the External Auditors will usually only be engaged to carry out non-audit work for the Group when, by virtue of their knowledge, skills or experience, they are clearly preferred to alternative suppliers;
- The Committee receives and reviews an analysis of all non-audit work awarded to the External Auditors over the financial period; and
- The Committee receives a report from the External Auditors detailing any matters it considers could affect 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 32% (2018: 63%), which remains within the limits set in the Group's policy for external auditor independence, which can be found on the Group's website at **www.hl.co.uk/investor-relations/board-of-directors/corporate-governance**.

A total of £216,854 of non-audit fees were incurred during the year to 30 June 2019 (2018:£239,862). £150,383 of this amount related to the FCA-mandated assurance reporting of subsidiaries regulated under the CASS rules (2018:£174,148), which are excluded from the calculation in the paragraph above relating to the proportion of non-audit to audit fees. £34,600 related to the profit-verification work to enable payment of dividends in line with the established timetable (2018: £34,000) and £26,500 related to the interim review (2018: £26,000). £5,305 related to fees for the non-statutory audits of the two HL trusts (2018: £5,150). There were no additional services provided in the period (2018: £12,000). Fees for the statutory audit for 2019 were £210,700 (2018: £135,599). This includes fees for the statutory audit of HL Tech of £10,700 (2018: £9,311 for a non-statutory audit).

Tenure of the External Auditor

The Group appointed PwC as its External Auditors following a tender process in 2013. In line with the EU audit regulation requirements, the Company will be required to undertake a formal tender process by 2023, being 10 years from the date of PwC's appointment. In addition, the Senior Engagement Partner of the External Auditors is required to be replaced every five years. The current lead audit partner, Alex Bertolotti, was the lead audit partner throughout the year to 30 June 2019 and has held the position for four years. The Committee will oversee the process for appointing a new lead audit partner during the next financial year to ensure a smooth transition when Alex Bertolotti's tenure in the position comes to an end following completion of the audit for the year ending 30 June 2020. The Group has complied with the provisions of the Competition Markets Authority Order 2014 throughout the year to 30 June 2019 and as at the date of this report. The Committee has therefore recommended to the Board that a resolution is put to the Company's shareholders recommending PwC's reappointment, along with their terms of engagement and remuneration, at the AGM. The appointment and reappointment of the External Auditors will continue to be assessed on an annual basis. The External Auditors will be asked to attend the AGM and will be available to answer shareholders' questions about the audit and their report.

Whistleblowing

The Group is committed to creating a culture of openness, integrity and accountability. A formal whistleblowing policy and procedure is in place to encourage employees to raise issues regarding possible improprieties, whether relating to financial reporting or otherwise.

The Committee is responsible for monitoring the effectiveness of the Group's whistleblowing procedures and any notifications made. It is also responsible for ensuring that employees are able to raise any concerns in confidence, and that such concerns are properly investigated and acted upon where necessary.

In addition to the internal avenues open to employees to report any concerns, the Group has an alternative reporting channel whereby any perceived wrongdoing can be reported via telephone to a third party.

Audit Committee Evaluation

The Board carried out a comprehensive externally facilitated Board evaluation and effectiveness review during the year to 30 June 2018, which included a review of the performance of the Committee. The results were presented to the Board in October 2018. The Board has taken steps to implement recommended actions as they apply to the Committee. This has included commencing preparations for an external evaluation of the Group's Internal Audit function, which is expected to take place during 2020.

The Board is in the process of carrying out an internally run evaluation of its effectiveness, including the Committee, for the current year.

Audit Committee priorities for 2019/20

Looking ahead to the year ended 30 June 2020, in addition to its duties in relation to the audit and reporting schedule, the Committee will be focusing on:

- The deployment of the Group's enterprise resource planning solution;
- The impact of Brexit on the Group's financial statements and HL Tech's operations in Poland;
- Continued planning for the application of IFRS 16; and
- The impact of changes to the political environment in the UK and the broader macroeconomic situation.

Signed on behalf of the Audit Committee

Roger Perkin
Chair of the Audit Committee

7 August 2019

Investment committee report

Dear Shareholder

As Chair of the Investment Committee I am pleased to present the Committee's report for the year to 30 June 2019.

Throughout the period, the Committee has continued to provide independent challenge and oversight to the executive team on all aspects of the Group's investment activities, including the investment research process and the outcomes of its product offerings.

Over the period the Committee received, considered and, where appropriate, challenged information from the business regarding the performance of the investment product range, as well as risk and compliance reports. Investment related governance documents, such as the risk management process, have been reviewed, as have the implications of regulatory changes, such as the Financial Reporting Council Stewardship Code. During the period the HL Select Global Growth Shares fund was launched and segregated mandates were introduced into the multi-manager funds. The Committee has also focused on asset allocation, the investment process, management of conflicts of interest and the impact of the suspension of trading in the Woodford Equity Income Fund.

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

Jayne Styles
Chair of the Investment Committee

Attendance at Committee meetings during the year to 30 June 2019

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

FIND OUT MORE

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.

Role of the Investment Committee

The role of the Committee is to provide challenge and oversight to the Group's investment business, including the investment decision making process, the Group's compliance with the Alternative Investment Fund Management Directive (AIFMD), policies and outcomes relating to Hargreaves Lansdown Multi-Manager funds, HL Select funds, Portfolio Management Service (PMS), HL Portfolio+, Wealth 50 (previously 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.

The Committee's responsibilities are set out in its terms of reference, which are available from the Investor Relations pages of the Group's website at **www.hl.co.uk.**

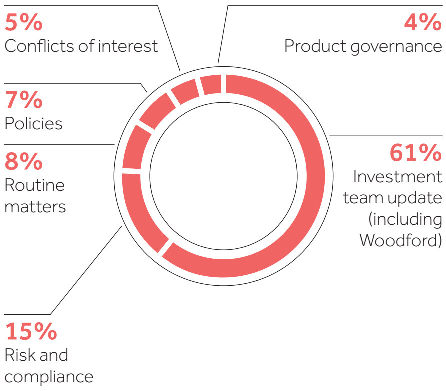
Investment Committee membership and meeting attendance

Jayne Styles (as Chair), Philip Johnson and Stephen Robertson each served on the Committee throughout the year to 30 June 2019. Membership of the Committee is regularly reviewed by the Committee Chair, who makes recommendations for new appointments to the Nomination Committee for onward recommendation to the Board.

The Committee meets at least four times a year and there were four scheduled meetings during the period. The attendance record for each Committee member is set out in the table opposite. Other individuals attend at the request of the Committee Chair. During the period, the Chair of the Board, Chief Investment Officer, Research Director, the Head of Client Proposition and Service and the Group Risk and Compliance Director attended meetings. The Company Secretary acts as Secretary to the Committee.

After every meeting the Committee reports to the Board advising them of their discussions.

Overview of activities during the financial year



Key areas of focus during the year to 30 June 2019

In discharging its responsibilities the Committee focused on:

- Reviewing the regular risk and compliance reporting from the Group's second line of defence, including monitoring liquidity, conflicts of interest, and the communication process to clients in respect of the Group's investment products;
- Challenging fund benchmarking and investment-related policies and processes, such as the risk management process. The Committee has also overseen the introduction of segregated mandates for the HL Multi-Manager funds and considered its responsibilities in light of the FCA Asset Management Market Study;
- Reviewing the Chief Investment Officer's updates, which cover information about the performance of the HL Multi-Manager funds, HL Select funds, PMS, HL Portfolio+, Wealth 50 (previously Wealth 150), Master Portfolios and Foundation Portfolios, as well as market information;
- Considering the impact on the Group's investment business of the suspension of trading in the Woodford Equity Income Fund. In particular, this has included the consideration of fund pricing methodologies, the potential impact on the Multi-Manager funds and how the Group's clients might be impacted when the suspension is lifted. The Committee has also discussed the performance of other third party funds having a material impact on the Group's investment business and reviewed analysis of the flows of business into and out of its investment offerings. This information has been used to inform discussions around the continued inclusion of such funds in the Wealth 50.

Investment Committee evaluation

The Board carried out a comprehensive externally facilitated evaluation and effectiveness review during the year to 30 June 2018, which included a review of the performance of the Committee. The results were presented to the Board in October 2018. The Board has taken steps to implement recommended actions as they apply to the Committee, which includes a review of the Group's governance structure.

Future role of the Committee

Following the outcome of the FCA's Asset Management Market Study and the detailed review of the Group's governance structure that took place during the course of the year to 30 June 2019, the decision has been taken to reassign the responsibilities of the Committee. It is anticipated that this will take place over the course of the next financial year.

Signed on behalf of the Investment Committee.

Jayne Styles
Chair of the Investment Committee

7 August 2019

Annual statement by the Chair of the Remuneration committee

Dear Shareholder

On behalf of the Board, I am pleased to present my first full year report as Remuneration Committee Chair.

I have set out below an overview of our remuneration policy and philosophy which is aligned to our values and is designed to encourage client-centric sustainable business performance. During this financial year, the Committee's main focus was on ensuring appropriate remuneration outcomes based on 2019 business performance, improving gender pay and diversity, developing our response to changes in the Corporate Governance Code and regulatory changes on the horizon, and reviewing the pay and performance approach for our wider workforce. Finally, I want to provide you with details of our areas of focus for the forthcoming year.

Encouraging client-centric sustainable business performance

Our purpose is to empower people to save and invest with confidence and our pay philosophy aligns to this and aims to:

- Attract, retain and motivate high calibre colleagues who role model our culture and values;
- Reward client-centric sustainable performance aligned to our purpose and values;
- Recognise our colleagues who deliver exceptional client service;
- Share in the success of the company and align colleagues interests with those of shareholders;
- Encourage colleagues to save over the long term, in line with our company purpose; and
- Offer flexibility to meet the needs of a diverse workforce.

Hargreaves Lansdown's remuneration policies and practices are designed to promote the long-term success of the Group by supporting the business strategy and delivering value to our shareholders without paying more than is necessary whilst taking account of regulatory requirements, affordability and market conditions.

Having applied our current remuneration policy for a second year, we consider that we 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 our shareholders.

A summary of the remuneration policy approved by our shareholders at the 2017 AGM is presented on pages 71 to 72.

Business context in 2019

As set out in our Strategic report, 2019 saw strong growth, increasing our market share and maintaining our focus on clients. This year was challenging externally, with difficult market conditions, concerns over Brexit and macro-economic uncertainty. Despite this, net new business was resilient and profits continued to grow, reflecting the continued execution of our strategy and our focus on putting the client at the centre of all we do.

2019 net new business was £7.3 billion and we added a further 133,000 net new clients, taking us to over 1.2 million clients by the end of the financial year. AUA has also continued to grow, to almost £100 billion as at 30 June 2019. The second half of our financial year was particularly strong, driven by improved marketing effectiveness and a number of deliberate diversification initiatives that broaden our accessible market. Due to these initiatives, such as Active Savings, the launch of the HL Select Global Growth Shares fund and back book transfers from Witan, Baillie Gifford and JP Morgan, we have continued to gain market share. Latest figures show our share of the direct to consumer platform market increased to 40.5%[1] and our share of the execution only stockbroking market grew from 31.3%[2] to 34.1%[2].

In early June 2019, the team had to deal with the consequences of the LF Woodford Equity Income Fund suspension. This was disappointing and frustrating for us all but the business responded quickly and responsibly. This decisive and client-focused response has seen business flows and service levels hold up well since. Our priority remains to support our clients, keep them informed and ensure that the Woodford Equity Income Fund reopens as soon as is practicable, whilst protecting the interests of all investors.

In recognition of the financial and personal impact the suspension of the Woodford Equity Income Fund has had on our clients and, given Hargreaves Lansdown's client focused culture, the Executive Directors informed the Committee that they do not wish to take any bonus for the 2019 performance year. The Committee accepted their decision.

I would also like to remind shareholders that, with the introduction of the Sustained Performance Plan in 2017, vesting of long term incentives has extended from three to five years and, as a result, no awards vest this year. Further details on how bonuses have been determined for the 2019 performance year are set out in the Annual report on remuneration.

Our response to governance and regulatory changes

The Board and executive team recognise the importance of being able to demonstrate to our shareholders and regulators that our remuneration policy encourages the right behaviours to deliver long-term sustainable business performance and good client outcomes.

FIND OUT MORE

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.

As such, although significantly aligned already, we welcome the opportunity to improve our policy to meet the requirements of the new 2018 UK Corporate Governance Code and we aim to implement changes at the next policy review to be brought to shareholders at the 2020 AGM. At this time we will also seek to comply with required regulatory changes under the new Investment Firm Directive.

I would like to highlight the following:

- We are reporting our CEO pay ratio this year ahead of the required date for disclosure;
- Our pension policy is fully aligned to the wider workforce – Directors receive the same percentage contribution as all HL colleagues;
- Through existing shareholding requirements, bonus deferral and the five-year vesting requirements under the Sustained Performance Plan, Directors will inevitably hold HL plc shares after ceasing employment. However, we are reviewing the shareholding requirements in the context of the Code and will introduce additional policy requirements as appropriate at the next policy review in 2020;
- We will also review the relationship between target and maximum bonus opportunities in light of stakeholder views; and
- Finally, we will review the requirements under the Investment Firm Directive and incorporate any changes required to deferral, malus/clawback and share retention periods as necessary.

Areas of focus for the forthcoming year

No changes are proposed to the operation of the remuneration policy in respect of the 2020 financial year. However, we will spend time considering the impact of any required policy changes to apply for 2020/21 as discussed above.

We have also awarded a 2.9% salary increase to Executive Directors, against an overall budget for base salary increases of 3.1% across the organisation.

Looking forward, we continue to monitor remuneration developments within the asset management industry. During the year commencing 1 July 2019, we intend to build on the review of our remuneration approach throughout the organisation to ensure we remain compliant with our governance and regulatory requirements and that we are clear, fair and transparent in how we assess and recognise the contribution of all our colleagues aligned to our culture and values.

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.

Gender pay and diversity

We are committed to building a culture and environment that attracts, values and retains a diverse workforce.

Our Chair and Chief Executive Officer are members of the 30% Club and we have signed up to the Women in Finance Charter and we were one of the first signatories of the Bristol Equality Charter. Furthermore, we are within our target range of the HM Treasury's Women in Fanance initiative - 26.6% of senior colleagues are women.

Over the year we have focused on building awareness and understanding of the importance of equality, diversity and inclusion (ED&I), gaining the commitment from senior leadership to effect change, improving our processes, policies and practices, and improving our training and support for colleagues.

Although our median gender pay gap (GPG) increased from 18.3% last year to 20.4%, our mean GPG has improved from 28.8% last year to 13.7% this year and we have increased the number of women receiving top quartile earnings from 17% to 21%. However, there is still more that we need to do and a gender pay gap action plan has been designed to ensure that we are targeting the key challenges and making a tangible difference.

Highlights from the last year include:

- Establishing the Gender Diversity, Cultural Diversity, Financial Inclusion, Mental Fitness, Kaleidoscope, Environment, Sustainability and Climate Change Groups, and the HL Foundation Committee;
- Our Chief Executive taking the role of accountable executive responsible for Diversity and Inclusion;
- Reviewing our approach to pay and performance ratings to make it clear, fair and transparent;
- Partnering with other organisations to encourage increased diversity in financial services – for example Workingmums and local schools; and
- Launching the South West Mentoring Awards and Network to showcase the benefits of diversity. We are starting to receive recognition for the improvements we made:
- An 18% improvement in favourable responses to the colleague survey question "HL values and promotes employee diversity"
- External awards including: Diversity Champion Award – Bristol City Council Stepping Up Awards. Organisation Award for Gender – Bristol Diversity Awards. Championing Disability Inclusion Award (Highly Commended) – Financial Adviser Diversity in Finance Awards. Championing LGBT Inclusion Award – Financial Adviser Diversity in Finance Awards. Championing Race

Annual statement by the Chair of the Remuneration committee continued

Equality Award – Financial Adviser Diversity in Finance Awards. Wellbeing Champion Awards – MIND Wellbeing awards. LGBT+ Staff Network Award – Bristol Pride Awards.

Details of our gender pay gap for the year to 5 April 2018 can be found in the 2019 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.

Wider workforce

The HL Colleague Forum was set up in January 2019 to create a feedback channel directly between colleagues and the Board on matters of strategic importance. The Forum has considered culture at HL and pay and development.

While the Colleague Forum hasn't sought feedback explicitly in respect of the Directors' remuneration, it has considered colleague views on the wider approach to remuneration, career development and how well our values are embedded in these processes.

The Forum was presented with proposed improvements to the pay approach for this year and sought feedback from HL colleagues regarding the performance and pay process. I attended the feedback session and heard for myself how colleagues recognised the improvements that have been made, particularly around embedding the values into performance management. The Forum was also able to assess whether the proposed improvements would improve transparency, clarity and fairness in the pay process.

Feedback to date evidences that changes made this year have addressed many of the concerns raised by colleagues. Despite significant improvements this year, we recognise there is more to do, particularly with respect to our gender pay gap and our focus on developing female senior leaders in HL. I look forward to further insights from the Forum as we progress our plans this year.

Contents of this report

On the following pages we set out:

- A summary of the Directors' 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

1 Source: Platforum UK D2C Market Update (July 2019).
2 Source: Compeer Limited XO Quarterly Benchmarking Report Quarter 1 2019

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 over HL plc shares 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.
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 over HL plc shares 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 up front 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.

Directors' remuneration policy (summary) continued

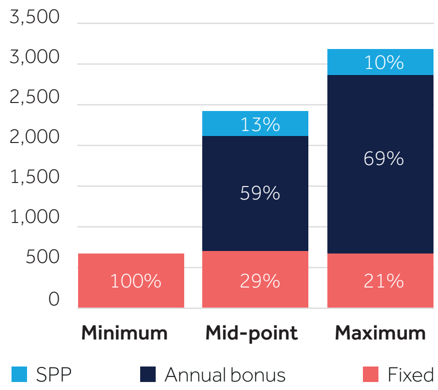
Component/purpose and link to strategy	Operation and performance measures	Maximum opportunity
Shareholding Guideline Aligns the interests of management and shareholders to the success of the Group	Directors have six years from appointment to the Board to achieve a shareholding with a minimum value of 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 a matched 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 up to a maximum value of a further 6% of salary. Maximum employer contribution is therefore 11% 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 income protection is provided to all staff with greater than three 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. 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

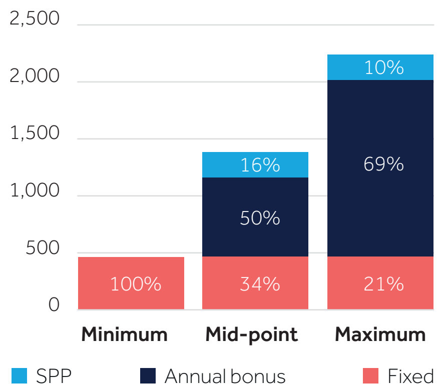
The Committee discloses each year in the Group's Report and Financial Statements a bar chart that models the potential remuneration for each of the Executive Directors for the forthcoming year using a range of assumptions. The chart shows the potential value of the current Executive Directors' remuneration 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 2019/2020 (£'000s)



Philip Johnson – Remuneration opportunity for 2019/2020 (£'000s)



Strategic report

Governance

Financial statements

Other information

Directors' remuneration policy (summary) continued

Non-Executive Directors

Component/purpose and link to strategy	Operation and performance measures
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. 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 fees Recognises the additional time commitment and responsibility involved in chairing a Committee of the Board.	Each Non-Executive Director receives an additional fee for each Committee for which they are Chair. The Committee Chair fees reflect the additional time and responsibility in chairing a committee of the Board, including time spent liaising with management, and preparing for a committee of the Board.
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.

In accordance with the Company's articles of association, the maximum aggregate ordinary remuneration for the Non-Executive Directors is £1,500,000 per annum.

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.

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 regulatory requirements and current market and industry practices, where appropriate.

Annual report on remuneration

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 Committee confirms that throughout the financial year 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 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 being able 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. Individual remuneration outcomes for employees below the Executive Committee are reviewed by the Reward Governance Committee, comprising 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.

Meetings during the year

There were five scheduled meetings during the year and additional ad hoc meetings where required. All meetings were chaired by Fiona Clutterbuck. Other members were Deanna Oppenheimer, Shirley Garrood and Stephen Robertson.

None of the Committee members 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.

Member	Position	Eligible meetings	Attended meetings
Fiona Clutterbuck	Chair	•••••	•••••
Shirley Garrood	Non-Executive Director	•••••	•••••
Deanna Oppenheimer	Non-Executive Director	•••••	•••••
Stephen Robertson	Non-Executive Director	•••••	•••••

Activities during the year included:

- Consideration of the Directors' Remuneration Report in the 2018 Report and Financial Statements, and considering all of the feedback received from institutional shareholders;
- 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 and approving Executive Directors' objectives and performance measures;
- Reviewing the approach to proportionality and the approach for the identification of Material Risk Takers (MRTs) under CRD IV, AIFMD and UCITS V;
- Reviewing the remuneration policy for the wider workforce, including improvements in the approach to the year end pay and bonus to improve consistency and transparency for colleagues;
- Approving the annual Save As You Earn scheme invitation and terms
- Receiving reports and overseeing decisions and recommendations made by the Reward Governance Committee;
- Reviewing and approving the required Remuneration Code disclosures;
- Reviewing and agreeing the approach to improving the colleague voice via the HL Colleague Forum;
- Reviewing the gender pay gap reporting covering the snapshot date of 5 April 2018 and noting management's action plan to address the gender pay gap; and
- Reviewing and approving updated Terms of Reference for this Committee.

Advice to the Committee

The Committee is supported by the Company Secretary, the Chief People Officer, the Head of Performance and Reward, 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 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 advisers review all committee papers and provide input on matters directly to the Committee as well as attending all committee meetings. As such, the Committee is satisfied that the advice it has received was objective and independent. The fees payable to Deloitte for this advice were based on services provided against a scope of services approved by the Committee and amounted to £158,000 plus VAT. Other services provided to Hargreaves Lansdown by Deloitte LLP during the year consisted of risk advisory, tax and HR consulting services.

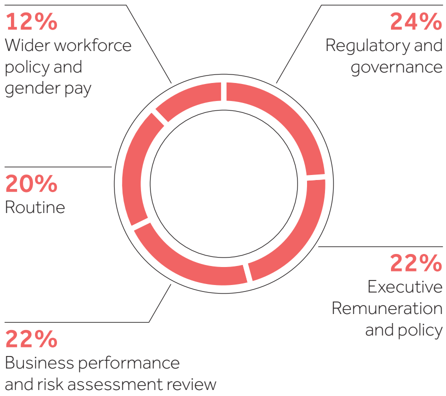
Consultation with employees

The HL Colleague Forum was set up in January 2019 to create a feedback channel directly between colleagues and the Board on matters of strategic importance. The Forum has considered culture at HL, pay and development and corporate strategy.

While the Forum hasn't sought feedback explicitly in respect of the Directors' remuneration to date, we expect to seek the views of colleagues as part of the Directors' remuneration policy review process.

The Committee also considers the wider salary increase, remuneration arrangements and employment conditions across the wider employee population when considering Directors' pay and awards.

Overview of activities during the financial year



Implementation of the remuneration policy in 2019/20 – Executive Directors

Salary

The Executive Directors' base salaries were reviewed in August 2019. 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 2.9% increase to the Executive Directors against an overall budget for base salary increases of 3.1% across the organisation.

Name of Director	Salary as at 1 July 2019 (£)	Salary as at 1 July 2018 (£)	% increase
Chris Hill	630,000	612,000	2.9
Philip Johnson	446,000	433,500	2.9

Annual bonus

For 2020, awards will be subject to performance assessment against a combination of financial/growth, client and strategic measures, as well as personal performance assessed against 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	Strategic
• Net new business	• Client advocacy[1]	• Strategic delivery[2]
• Net new clients	• Client retention	• Effective risk management[3]
• Profit before tax	• Client service[4]	• Colleague advocacy[5]

1 Client Advocacy: measures include NPS, net ease and client satisfaction
2 Strategic Delivery: measures include delivery of key initiatives that support growth, efficiency and scalability
3 Effective Risk Management: measures include regulatory compliance, open audit actions, breaches and errors
4 Client Service: measures include client satisfaction, client numbers and complaints
5 Colleague Advocacy: measures include engagement, leadership and culture indices

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 client and 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
• Define and shape the business to deliver strategic growth whilst maintaining market leading client service • Foster a diverse and innovative, results-oriented culture that operates within an effective risk framework and well governed organisation • Proactively manage the reputation of the Group across all stakeholders	• Shape a sustainable business model that delivers long-term financial results • Provide leadership and direction to evolve and communicate the strategy within an effective risk framework • Balance resources and service levels to improve capability and delivery across functional areas

In addition, each Executive Director's performance will be assessed against how they have demonstrated behaviours aligned to our values: Put the client first, Go the extra mile, Make it easy, Do the right thing, Do it better.

In line with the existing remuneration policy, the following on-target and maximum bonus opportunities will apply, which are the same as for 2019:

	On-target bonus opportunity (% of base salary)	Maximum bonus opportunity (% of base salary)
Chris Hill	225%	350%
Philip 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 any bonus awarded to each Executive Director will be payable in cash following the end of the financial year and 40% of any bonus will be deferred into nil-cost options over HL plc shares for a period of three years, subject to continued employment.

Dividend alternatives will accrue on the deferred share element of bonuses up to the time of vesting and will be paid at exercise. Bonus awards are subject to clawback for three years from the date of award and unvested deferred awards are subject to a formal malus mechanism until the vesting date. The Committee can defer a decision to award bonuses or award and suspend payment of bonuses for any individual in scope of an investigation into their conduct or responsibility, accountability or knowledge and/or influence over any material risk event identified during or after the performance year. For further details of the relevant malus/clawback triggers, please see page 82.

Sustained Performance Plan (SPP)

Each Executive Director will receive an award of nil-cost options over HL plc shares 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 following underpinning performance conditions:

- 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, giving 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 in assessing the extent to which awards should vest.

Dividend alternatives will accrue on nil-cost options up to the time of vesting and will be paid at exercise.

Any unvested awards will be subject to a formal malus mechanism.

Under HL's variable pay plans, the Committee can defer a decision to award bonuses or award and suspend payment of bonuses or suspend vesting of deferred bonuses or SPP awards for any individual in scope of an investigation into their conduct or responsibility, accountability or knowledge and/or influence over any material risk event identified during or after the performance year. For further details of the relevant triggers, please see page 82.

Executive Director remuneration for 2019

Remuneration payable for the 2019 financial year (1 July 2018 to 30 June 2019) (Audited)

The remuneration received by Executive Directors in relation to performance in 2019 is set out below:

Name of Director	Year	Gross Basic salary £'000	Other taxable benefits [1] £'000	Cash bonus £'000	Deferred element of bonus – shares £'000	LTIP/SPP[2] £'000	Employer pension contribution [3] £'000	Totals £'000
Chris Hill	2019	612	6	-	-	–	31	648
	2018	600	23	1,020	680	120	11	2,454
Philip Johnson	2019	434	1	-	-	–	22	457
	2018	425	20	598	399	–	-	1,442

1 This includes Medical, PMI and SAYE discount value.
2 Sustained Performance Plan (SPP) is our Long Term Incentive Plan (LTIP), introduced in 2016/2017 and subject to performance conditions. These will first start to vest in 2022.
3 This includes employer pension contributions and any pension allowance paid in lieu of pension contributions.

Other than SAYE options (which are available to Directors on the same basis as all employees and included in other taxable benefits), 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.

Where eligible, benefits in kind are available to Directors on the same basis as other employees. For 2019, benefits include Life Insurance, Income Protection, Private Medical Insurance, Save As You Earn (SAYE) scheme, 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 Critical Illness cover.

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

Assessment of annual performance for the 2019 financial year (1 July 2018 to 30 June 2019) (Audited)

The value of any 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, and an assessment of risk performance and risk events as detailed below, and
- Each individual's performance, including progress against the specific objectives set for them as well as an assessment of risk management and compliance and their behaviours aligned to HL's values.

There were no specific weightings assigned to performance, 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 2018 Report & Financial Statements:

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

The total value of any 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 Directors' remuneration policy.

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

Financial/growth	Client service	Strategic
• Net new business • Net new clients • Profit before tax	• Client retention • Client service • Net promoter score	• Developing client service • Developing capability (including risk management) • Maintaining the business

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

Growth measures

	Operating plan target	Actual	Last year	Commentary
Net new business	£8.5bn	£7.3bn	£7.6bn	Net new business fell short of an ambitious plan set assuming market growth and is below last year's record but the Committee recognised a strong performance given the wider context of market volatility, record low investor confidence and a prolonged period of retail fund outflows in the market. The Committee also noted the level of net new business during the best ever tax year end. Assets under Administration grew by 8% to £99.3bn.
Net new clients	147,872	133,000	137,000	Despite falling short of plan, the Committee noted strong growth in net new clients considering market conditions and compared to peers. During the year our market share improved from 39.1% to 40.5% in the platform market and from 31.3% to 34.1% in the UK execution only stockbroking.
Profit before tax	£327.9m	£305.8m	£292.4m	The Committee reviewed strong performance delivering a 5% increase in profit with adverse market movement during the year and noted the very positive impact of management action to contain costs.

Summary: Strong performance in a challenging year
The Committee recognised that the Group has delivered a strong financial performance in challenging market conditions with growth in market share and a record tax year end underpinned by strong cost discipline.

Client service

	Actual	Last year	Commentary
Client retention	93.6%	94.3%	The Committee noted that client retention has been broadly stable compared to last year. This is considered to be a strong result given that the Group has also welcomed a net 133,000 new clients at the same time.
Client service	228	239	The client service measure consists of a combination of net promoter scores (across each of the three product areas: SIPP, ISA, and Fund and Share Account), and client retention. The score of 228 is lower than last year. However, operational volumes are higher than last year and a number of metrics demonstrate significant improvements in Operations and on the Helpdesk.

	Actual	Last year	Commentary
Net promoter score	48.7%	50.3%	As part of the overall assessment of client service, the Committee reviewed the NPS level which declined from 50.3 to 48.7. In light of low investor confidence, investment performance and the impacts of regulatory work such as MiFID, the score compares favourably within the financial services sector.
Summary: On-target performance The Committee concluded that on balance the Group performance in Client Service was on-target overall. Despite a small decline in NPS, client retention has been stable with an increase of 133,000 new clients to 1,224,000 with a steady improvement in Operations and on the Helpdesk.			

Strategic delivery

The Committee reviewed progress against the strategic plan and assessed them under the following groupings:

Developing our client service	Developing our capabilities	Maintaining the business
• Launch of Select Global Fund, Wealth 50 and Active Savings, Easy Access • Launch of segregated mandates into Multi Manager Funds • Rollout out of client analytics and segmentation into Marketing teams • Improvement to transfer times	• Improved governance and risk oversight • Delivery of technology and training to Operations and Helpdesk teams driving significant increases in performance and productivity • Implementation of software that continuously helps our agents become more knowledgeable • Improved colleague engagement and focus on corporate social responsibility	• Enhanced systems for client identity management providing a more secure digital experience • Increased login speeds for clients • Introduced automation into the cash ISA transfer process

Summary: Very strong performance

The Committee recognised significant delivery of key strategic projects including the launch of the Select Global Fund and the Wealth 50. Notable improvements can be seen in the development of our capabilities including governance, risk oversight and colleague engagement through corporate social responsibility activity. Additionally, we noted improved operational processes and system upgrades delivering faster and more efficient service for clients.

Assessment of individual performance for the 2019 financial year (1 July 2018 to 30 June 2019) (Audited)

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

Chris Hill

Objective	Committee's assessment
Maintain and develop relationships with key stakeholders	Strong performance in this area, including positive influence of the industry via membership of the FCA Practitioner Panel.
Develop the organisation and its risk culture to execute the strategy to the benefit of all stakeholders	Strong progress in strengthening the governance and risk culture across the business and developing the skills of his leadership team.
Evolve the client strategy	Very strong performance by acting swiftly to implement strategic changes to create a competitive advantage – launch of Select Global Fund and Wealth 50 and adding Easy Access to Active Savings.
Maintain client satisfaction in the context of the accelerating digital landscape	Very strong performance in this area by improving the client experience through enhanced technology and improving processes that had become points of pain for clients.
Summary: The Committee concluded that this was a strong performance from the Chief Executive Officer supported by the leadership team. He made a significant contribution to performance throughout the year and, in delivering against his personal objectives, demonstrated a strong set of values, vision and talent in an extremely challenging environment.	

Philip Johnson

Objective	Committee's assessment
Provide financial leadership in determining strategic direction	Very strong financial leadership of strategy and robust focus on costs to deliver strong financial results.
Deliver financial results in a risk controlled environment	Strong performance with continued improvement in capital and liquidity management.
Communicate the strategy to investors	Investment story is well articulated and investor relationships are managed well.
Balance capabilities, talent, costs and service levels to fulfil functional core responsibilities efficiently	Sustainable improvements made in operations and functional capabilities improved significantly.
Improve strategic and financial delivery	Strong performance in improving the quality and timeliness of financial delivery to support the strategic plan.

Summary:
The Committee determined that Philip Johnson has made a significant contribution to the financial success of the business through financial leadership and a robust focus on costs. Through achievement of his personal objectives, capital and liquidity remains strong to support an ambitious business strategy.

Overall assessment and bonuses awarded for the financial year (1 July 2018 to 30 June 2019) (Audited)

The Committee considered all of the above in making their bonus determination for Chris Hill and Philip Johnson for the 2019 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 strong levels of Company performance during the year as well as the high levels of leadership shown by both, including their performance against individual objectives and Company values.

However, to recognise the financial and personal impact the suspension of the Woodford Equity Income Fund has had on our clients and, given Hargreaves Lansdown's client focused culture, the Executive Directors informed the Committee that they do not wish to take any bonus for the 2019 performance year. The Committee accepted their decision.

The resulting bonuses for the year ending 30 June 2019 are set out below together with prior year numbers for comparison:

	Cash £'000	Deferred £'000	Total £'000	% of on-target	% of maximum
Chris Hill 2019	–	–	–	–	–
Chris Hill 2018	1,020	680	1,700	126	81
Philip Johnson 2019	–	–	–	–	–
Philip Johnson 2018	598	399	997	150	67

Deferral of annual performance bonuses

40% of the annual performance bonuses is subject to compulsory deferral into nil-cost options for a period of three years. Dividend alternatives will accrue on the deferred shares element of bonuses up to the time of vesting and will be paid at exercise. Individuals have a right to exercise deferred awards that vest after three years provided they remain employed by the Group at exercise.

Malus and clawback

Bonus awards are subject to clawback until three years from the date of award and unvested deferred nil-cost options are subject to a formal malus mechanism until the vesting date. The Committee can defer a decision to award bonuses or award and suspend payment of bonuses and/or vesting of deferred bonus SPP awards for any individual in scope of an investigation into their conduct or responsibility, accountability or knowledge and/or influence over any material risk event identified during or after the performance year.

The triggers that apply to malus and clawback under all share plans are as follows:

- 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	2019	2018	2017	2016	2015
Profit before tax	**£305.8m**	£292.4m	£265.8m	£218.9m	£199.0m
Net new business	**£7.3bn**	£7.6bn	£6.9bn	£6.0bn	£6.1bn
Net new clients	**133,000**	137,000	118,000	100,000	84,000
Net operating margin (on net revenue)	**63.1%**	65.0%	67.7%	66.8%	67.3%
Client service measure	**228**	239	272	249	240
Total value of Executive Committee bonuses as % of PBT	**0.59%**	1.97%	1.93%	1.83%	1.78%

Share awards made during the year ending 30 June 2019 (audited)

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 period
Chris Hill	SPP[3]	305,980	Nil-cost option	22.15	13,814	305,980	305,980	n/a	1 July 2018 to 30 June 2023
Chris Hill	Deferred Bonus	679,983	1.00[4]	22.15	30,699	679,983	679,982	n/a	
Philip Johnson	SPP[3]	216,738	Nil-cost option	22.15	9,785	216,738	216,738	n/a	1 July 2018 to 30 June 2023
Philip Johnson	Deferred Bonus	398,789	1.00[4]	22.15	18,004	398,789	398,788	n/a	

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 at 50% of base salary subject to the achievement of underpinning performance conditions and will vest over five years. The underpinning performance conditions are:
- 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.

4 The aggregate exercise price for awards under the deferred bonus scheme is £1 and were granted on 19 September 2018.

All-employee share plans

The Company operates a SAYE share option scheme on the same terms for all employees. All employees are encouraged to become shareholders, both through direct ownership or through participation in the share scheme. At the end of the latest financial year, 28% of HL employees owned 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 2018	Beneficially owned at 30 June 2019	Outstanding subject to continued employment	Outstanding subject to continued employment arising from deferred bonus	Outstanding subject to performance conditions and continued employment arising from Sustained Performance Plan	Number of share options exercised in the year	Share-holding guideline (multiple of base salary)	Share-holding as a multiple of base salary achieved at 30 June 2019
Chris Hill[2]	20,419	24,503	1,300	81,975	32,771	21,430[2]	Three times	0.77[1]
Philip Johnson[3]	30,612	30,612	1,702	29,520	23,213	–	Three times	1.36[1]

1 The shareholding as a percentage of salary is based on the closing share price as at 28 June 2019 of £19.19.
2 Options exercised include 1,750 SAYE options granted under 2016 SAYE scheme and 19,680 options granted under 2015 LTIP (after performance adjustment).
3 There has been no subsequent change in Directors' shareholding and share interests since 30 June 2019.

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 employees. 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 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. Employees, 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.

Payments for loss of office (audited)

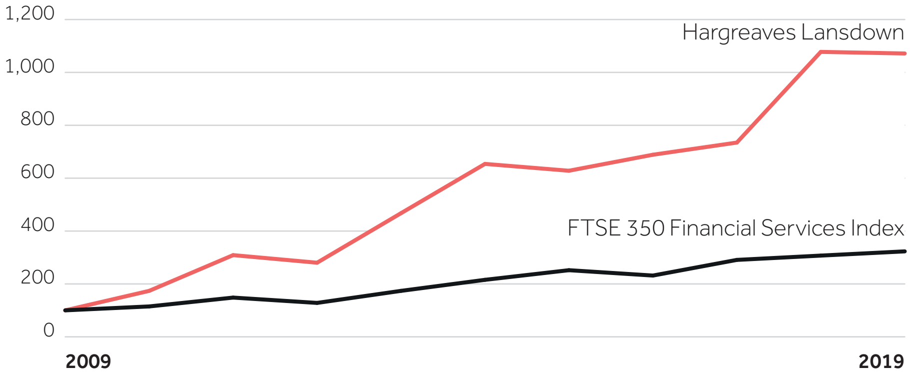
The Committee confirms that no payments have been made for loss of office during the year.

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 10 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 2019. 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 10-year period.



Chief Executive Officer remuneration for the past 10 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	£2,454,048	81% (£1,700,000)	39%
2019	Chris Hill	£648,278	0% nil	nil

1 Emoluments for Peter Hargreaves for 2011 are shown for the two months prior to the date of his resignation from the role as Chief Executive Officer.
2 Emoluments for Ian Gorham for 2011 are shown for the 10 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 Chief Executive Officer 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.

Chief Executive Officer's remuneration ratios and percentage change

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 2018 and the year ended 30 June 2019.

	Base salary	Annual bonus
Chief Executive Officer % change	2%	-100%
Employee % change[1]	6%	-7%

1 This table shows the change in average salary and average bonus delivered to eligible colleagues between 2018 and 2019.

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

We are committed to transparency in the link between executive pay and employee pay, and so we are publishing our Chief Executive Officer pay ratio ahead of the disclosure requirements set out by BEIS which come in to effect for financial years starting on or after 1 January 2019. The table below sets out the ratio at median, lower and upper quartile of the total remuneration received by the Chief Executive Officer for the last two years compared to the total remuneration received by our UK colleagues.

Year	Lower quartile	Median	Upper quartile	Change in median
2019	24.1	17.1	11.1	-75.7%
2018	97.1	70.1	46.1	-

Notes to the calculations:
1 The median, lower and upper percentile colleagues were determined based on calculating total annual remuneration up to and including 30 June.
2 In calculating total remuneration for colleagues, any gains on historic options vesting within the calculation year have been excluded. The omission of this factor does not materially affect the ratio outcomes.
3 Basic salary for part-time colleagues and new joiners within the calculation year have been converted into full-time annualised equivalent values for the purposes of the calculations.
4 'Option A' was chosen from the options available in the reporting regulations since it is the most robust and statistically accurate method.
5 Benefits are provided on the same terms to Directors and all staff alike and as such are not included within the table above.
6 Set out separately in the table below is the basic salary and total remuneration figures for each of the percentiles in each year:

Year	Pay element	UK employee lower quartile	UK employee Median	UK employee upper quartile
2019	Basic Salary	21,838	28,050	46,920
	Total remuneration	26,605	37,093	57,714
2018	Basic salary	21,848	30,000	43,860
	Total remuneration	25,333	34,970	53,779

7 2018 calculations have been included to allow for a relative comparison of the 2019 outcomes to be evaluated.

The Committee believes that our 2019 median pay ratio is consistent with the Company's wider pay, reward and progression policies for our UK employees.

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 together with the percentage change between the years. 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.

	Total dividend paid £m	Profit before tax £m	Staff costs £m	Total dividend declared (pence per share)
2019	190.5	305.8	97.2	42.0
2018	144.5	292.4	87.4	40.0p
% change	+32%	+5%	+11%	+5%

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.

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 of Board committees.

A review of fees was undertaken during the year and the opportunity was taken to revise the fee structure to remove Committee member fees and introduce a flat basic fee for all Board and Committee members. These changes took effect 1 January 2019.

The fee levels are set taking into account market data for comparable positions taking account of the time commitment required for the role.

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

Fee policy

	Fees from 1 July 2019[2] (£ p.a.)	Fees from 1 July 2018 (£ p.a.)
Chair	**325,000**	325,000
Base fee for Non-Executives Directors	**70,000**	52,500
Senior Independent Director	**15,000**	15,000
Chair of Audit Committee	**20,000**	25,000
Chair of Remuneration Committee	**20,000**	12,500
Chair of Investment Committee	**10,000**	10,000
Chair of Risk Committee	**20,000**	12,500
Chair of Nomination Committee[1]	**10,000**	10,000
Member of Audit/Remuneration/Investment/Risk/Nomination Committee	**n/a**	2,500

1 Under current arrangements the Chair fulfils this role for no additional fee.
2 These fees took effect from 1 January 2019.

Remuneration payable for the 2019 financial year (1 July 2018 to 30 June 2019) (audited)
The remuneration received by Non-Executive Directors in 2019 is set out below.

Non-Executive Directors and Chair	**2019 fees (£)**	2018 fees (£)
Deanna Oppenheimer, Chair	**325,000**	131,992
Stephen Robertson	**67,500**	65,000
Shirley Garrood	**95,000**	83,463
Jayne Styles	**75,000**	70,000
Fiona Clutterbuck	**81,250**	57,083
Roger Perkin	**86,250**	61,250
Dan Olley[1]	**5,833**	–

1 Appointed 1 June 2019

Non-Executive Directors received no other benefits or other remuneration other than reimbursement of all reasonable and properly documented travel, subsistence 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 2019, the number of shares in the Company held by the Non-Executive Directors:

Non-Executive Director	Shares
Deanna Oppenheimer, Chair	60,000
Stephen Robertson	9,890
Shirley Garrood	nil
Jayne Styles	nil
Roger Perkin	nil
Fiona Clutterbuck	2,197
Dan Olley	nil

1 There has been no subsequent change in Non-Executive Directors' shareholdings since 30 June 2019.

Statement of voting at the AGM

At the AGM held in 2018, votes cast by proxy and at the meeting in respect of the Directors' remuneration report and, at the AGM in 2017, votes cast by proxy and at the meeting in respect of the Directors' 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	334,521,613	98.58%	4,811,399	1.42%	339,333,012	263,818	339,596,830
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

7 August 2019

Nomination committee report

Dear Shareholder

The Nomination Committee's main focus this year has been on Board composition and succession planning for the Executive Committee. Following Board approval of the Committee's recommendation that a new Non-Executive Director with expertise in information technology is appointed to the Board, the Committee commenced a rigorous process to find and appoint an appropriate candidate. That process culminated in the appointment of Dan Olley as a Non-Executive Director on 1 June 2019. Dan has also now been appointed as a member of the Risk Committee.

The Board considers that having the appropriate range of high calibre Directors is key to the Group achieving its strategic objectives and providing appropriate oversight of the regulatory matters and other risks it faces.

In addition, ensuring the right balance of skills, knowledge, experience and diversity of the Board members is key to enhancing the Board's capabilities to deal with the growth of the Group's business and the ever changing regulatory environment in which it operates, and is essential for the Group's sustained success. The Committee has therefore reviewed the leadership needs of the business and succession planning for Directors and other senior management.

As Chair of the Nomination Committee, I am pleased to present this report and I will be available at the AGM to answer any questions about our work throughout the year.

Deanna Oppenheimer
Chair of the Nomination Committee

Attendance at Committee meetings during the year to 30 June 2019

Member	Position	Eligible meetings	Attended meetings
Deanna Oppenheimer	Chair	• • •	• • •
Fiona Clutterbuck	Non-Executive Director	• • •	• • •
Shirley Garrood	Non-Executive Director	• • •	• • •
Stephen Robertson	Non-Executive Director	• • •	• • •
Jayne Styles	Non-Executive Director	• • •	• • •
Roger Perkin	Non-Executive Director	• • •	• • •

FIND OUT MORE

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.

Role of the Nomination Committee

The Committee is responsible for leading the process of making appointments to the Board and ensuring that any such appointments provide the skills and experience required to enable the Board to effectively discharge its responsibilities. As part of this, the Committee regularly reviews the structure, size and composition of the Board, having regard to the skills, knowledge, experience and diversity it requires to function effectively. The Committee leads the process for Board appointments, the re-election of Directors, and succession planning for Directors. The Chair of the Committee is responsible for making recommendations to the Board concerning its composition and skills, including proposed appointees and membership of the Board's Committees.

The Committee's responsibilities are set out in its terms of reference, which are available from the Investor Relations pages of the Group's website at **www.hl.co.uk.**

The Committee's key responsibilities 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 be able 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 Directors and senior management, taking into account the opportunities, challenges and future needs facing the Group;
- Evaluating annually the independence of the Non-Executive Directors; and
- Recommending the election and/or re-election of Directors at the AGM.

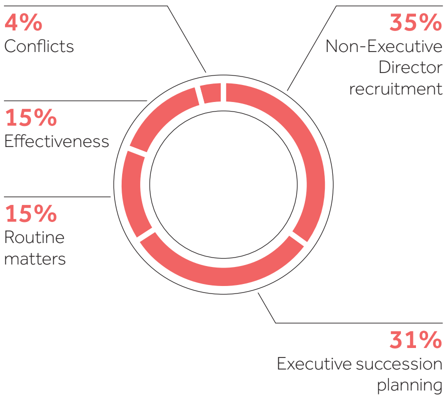
Nomination Committee membership and meeting attendance

Deanna Oppenheimer (as Chair), Fiona Clutterbuck, Shirley Garrood, Roger Perkin, Stephen Robertson and Jayne Styles each served on the Committee throughout the year to 30 June 2019 with the exception of Dan Olley.

During the period, the Committee met three times. The attendance record for each Committee member is set out in the table opposite. Other individuals such as the Chief Executive Officer and the Chief People Officer attend meetings at the request of the Committee Chair. The Company Secretary acts as Secretary to the Committee.

Key areas of focus during the year to 30 June 2019

Overview of activities during the financial year



Appointment of new Non-Executive Director

Following Board approval of the Committee's recommendation that a new Non-Executive Director with expertise in information technology is appointed to the Board, the Committee commenced a rigorous process to find and appoint an appropriate candidate. An independent executive search agency, Russell Reynolds Associates Limited, was appointed to assist in compiling a shortlist of potential candidates, and interviews were conducted by the Chair of the Committee, the Senior Independent Director and the Chief Executive Officer. Having received feedback on the interview process, the Committee considered the shortlist and recommended a candidate to the Board for appointment.

After due consideration and following approval of the preferred candidate by the FCA, the Board approved the appointment of Dan Olley with effect from 1 June 2019. A comprehensive and structured induction process is being provided.

Leadership and succession planning

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 Board diversity. It also considered succession planning for the Group's Executive Committee, and highlighted the need to integrate gender balance into that planning.

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 current and anticipated future business needs. The Committee also considered whether additional skills and experience would be needed to complement those already on the Board. As a result, the Committee recommended the appointment of a new Independent Non-Executive Director with expertise in information technology, which was achieved through the appointment of Dan Olley.

Diversity

The Committee reviewed the Group's Diversity Policy during the period. The Group is committed to improving diversity in its officers and 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 and the balance of the composition of the Board. The Committee takes a pro-active approach in seeking to improve the diversity of the Board, including in terms of ethnicity and gender. The overriding requirement is to ensure that recommendations for appointments are based on merit against objective criteria, and that the best candidates are put forward for Board appointments. As at 30 June 2019, the Board numbered nine in total, four of whom are female. 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 in the About Us pages of the Group's website at **www.hl.co.uk.** Further information on the Group's activities in relation to diversity and inclusion generally can be found on page 42 of the Strategic report.

Election and re-election of Directors

The Committee is satisfied that the Board continues to be effective and has recommended, in accordance with provision B.7.1 of the Code, that Dan Olley (having been appointed to the Board since the previous AGM) should stand for election and that each of the other Directors should stand for re-election at the 2019 AGM.

Effectiveness

The Board carried out a comprehensive externally facilitated Board evaluation and effectiveness review during the year to 30 June 2018, which included a review of the performance of the Committee. The results were presented to the Board in October 2018. A key purpose of evaluating the Committee's effectiveness is to ensure that it is able to meet the future strategic needs of the Group. The Committee has taken steps to implement the recommendations of the evaluation. This has included encouraging the professional development of the Non-Executive Directors, and evaluating the Board's existing skills and strengths to guide future appointments, an example of the latter being the Committee's recommendation to appoint Dan Olley as Non-Executive Director to address a perceived gap in the Board's technology expertise. The Board is in the process of carrying out an internally run evaluation of its effectiveness, including the Committee, for the current year.

Signed on behalf of the Nomination Committee.

Deanna Oppenheimer
Chair of the Nomination Committee

7 August 2019

Risk committee report

Dear Shareholder

As Chair of the Risk Committee I am pleased to present the Committee's report for the year to 30 June 2019.

The Committee reviews the Group's risk environment and the adequacy and effectiveness of its risk framework, systems and processes (its risk 'infrastructure'). Its aim is to ensure that the Group achieves sustained growth and its business objectives within the approved risk appetite, whilst maintaining its market competitiveness.

Over the period under review, the Committee has had a number of challenging and valuable discussions on key and emerging risks affecting the Group's business, as well as the Group's risk profile. It has also reviewed and approved the Group's risk appetite statements and overseen and monitored the development of its risk infrastructure.

The Committee has provided input and oversight across a wide range of issues with a particular focus on embedding risk management practices in the Group's first line of defence, Brexit, the Group's cyber control environment and updates to the Risk Enhancement Plan. It has also considered and commented on requests from the Group's regulator for information on risk-related topics, such as updates on progress of SREP actions.

The Committee approved and recommended the Group's ICAAP document, which was approved by the Board on 20 December 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

Attendance at Committee meetings during the year to 30 June 2019

Member	Position	Eligible meetings	Attended meetings
Shirley Garrood	Chair	●●●●●	●●●●●
Fiona Clutterbuck	Non-Executive Director	●●●●●	●●●●●
Roger Perkin	Non-Executive Director	●●●●●	●●●●●
Stephen Robertson	Non-Executive Director	●●●●●	●●●●●
Jayne Styles	Non-Executive Director	●●●●●	●●●●●

Key Committee activities for the year to 30 June 2019

Topic	Aug	Oct	Jan	Apr	Jun
Strategic and emerging risks	●	●	●	●	●
Embedding operational risk	○	●	●	●	●
ICAAP	●	●	○	○	●
Routine matters including CRO report	●	●	●	●	●
Risk framework, attestation, appetite	○	○	●	●	○
IT and cyber	●	○	○	○	○
Conduct risk and product governance	○	●	○	○	○
AML/MLRO reports	○	○	●	○	○
Remuneration	○	○	○	○	●
Operational effectiveness	○	○	○	○	●
Risk self-assessment	○	○	○	○	●

FIND OUT MORE

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.

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 approved risk limits. The Committee is also responsible for monitoring and reviewing the effectiveness of the Group's risk function and the Group's capital adequacy requirements on an ongoing basis.

The Committee's responsibilities are set out in its terms of reference, which are available from the Investor Relations pages of the Group's website at **www.hl.co.uk.**

The Committee's key responsibilities are:

- 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 the Group should hold, such surplus capital being commensurate with the Group's risk profile and regulatory obligations;
- Overseeing the delivery of the Group's ICAAP, including: debating and challenging the Pillar II scenarios, considering and recommending appropriate stress tests, agreeing appropriate management actions to enhance the ICAAP, and reviewing and recommending to the Board the Group's ICAAP and wind down documents and capital requirements;

- Overseeing the effectiveness of the Group's risk management procedures, including those relating to anti-money laundering, data protection, fraud, IT security, cyber risk and AIFMD;
- Overseeing the principal risks and uncertainties relating to the Group and the steps being taken to mitigate them;
- Seeking to identify and assess future risks which, by virtue of their unfamiliarity, uncertainty and deemed low probability may not have been factored adequately into review elsewhere within the Group's risk framework;
- Continuously monitoring the adequacy and effectiveness of the Group's risk management infrastructure; and
- Making recommendations to the Remuneration Committee as to whether adjustments to Executive Director remuneration are required having regard to the Group's risk management during the period.

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

Risk Committee membership and meeting attendance

Shirley Garrood (as Chair), Fiona Clutterbuck, Roger Perkin, Stephen Robertson and Jayne Styles each served on the Committee throughout the year to 30 June 2019. Dan Olley was appointed as a member of the Committee on 6 August 2019.

The Committee meets at least four times each year. The attendance record for each Committee member is set out in the table opposite.

Other individuals attend at the request of the Committee Chair. During the period, the Chair of the Board, Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, Group Director of Risk and Compliance and Head of Internal Audit attended meetings to report to the Committee on specific matters and provide clarification and explanations where appropriate.

Key areas of focus for the year to 30 June 2019

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 Group's business on request. Regular topics of discussion have included conduct risk, the Group's risk appetite and associated key risk indicators, embedding of operational risk in the first line, escalation reports, learnings and risk dashboards. The Committee has challenged the business where trends or data suggest further action is required. The Committee believes that the management of the Group's risk profile is given adequate consideration. Any necessary actions identified by the Committee have been, or are in the process of being, undertaken with appropriate governance and oversight.

Emerging risks

Emerging risks have been an agenda item at most Committee meetings 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 guidance on a variety of external emerging risks. Key discussion topics have included Brexit and the FCA's focus on liquidity. The Committee has also considered a number of 'Dear CEO' letters from the FCA.

Suspension of Woodford fund

The impact on the Group of the suspension of trading in the Woodford Equity Income Fund on 3 June 2019 was considered at the Committee's meeting in June. The Committee was pleased to see that improvements in the Group's risk management procedures had assisted in ensuring the Group was able to respond quickly and decisively to keep clients informed and deal with an increased volume of calls and emails in a timely and orderly manner. The Committee discussed how to mitigate the risk of a similar situation in the future, and will oversee and challenge proposed actions.

Fraud and cyber risk

The Committee is well aware of the exposure to both fraud and cyber risk of the areas in which the Group operates. The Committee discussed these risks on a regular basis. During the period, the Committee received regular updates in this regard on client protection activity, which were focused on enhancing existing controls and reviewing and mitigating emerging threats. The Committee receives regular updates on information security as part of the CRO report.

MLRO update

The MLRO reports to the Committee on the Group's anti-money laundering and systems and controls. During the period, the MLRO's continued focus has been on maintaining a strong control environment whilst pushing forward the developments that will improve the Group's operational practices in respect of anti-money laundering and treating clients fairly. The Committee reviewed and improved updates to the Group's Anti-Bribery and Corruption policy in October 2018.

Operations update

The Committee received assurance on the Group's operations activities primarily through the key risk indicators and updates included within the CRO report that is provided at each Committee meeting. Regular topics of discussion included improvements to the control framework, client outcomes, resource planning and training and engagement of the Group's operations teams. Key improvement activity has included enhancing the culture across the operations teams and developing a greater understanding and appreciation of the impact and likelihood of key risks. This has been accompanied by continued management training and improved management information to provide greater assurance over the design and operating effectiveness of the control environment and to drive future development activities.

The Committee has received reports from both the first and second line on the Group's embedding risk agenda. Second line papers set out the approach and provide updates on progress by reference to the agreed Risk Enhancement Plan. First line papers provide an update on the management of key risks linked to a heatmap, along with details of improvements made, benefits achieved and further enhancements planned. During the period, papers have been submitted to the Committee from a number of areas including Operations, Advisory, IT and Active Savings.

Risk committee report continued

ICAAP

The Committee approved and recommended the Group's ICAAP, which was approved by the Board on 20 December 2018. Prior to approving the ICAAP, the Committee conducted separate challenge and review sessions with the Board, senior management and subject matter experts. Understanding the ICAAP and using it as an element of risk management challenge to the Group's business is an integral part of the Committee's work, and specific agenda items are dedicated to the ICAAP's 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 Group's improving risk management framework, and a Risk Enhancement Plan has been put in place to support the Group in meeting its target risk maturity level.

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 the Group's remuneration schemes, and recommending whether risk adjustments are required to bonus pools or individual remuneration, based on the Group's risk profile.

This included risk adjustment recommendations related to the recent suspension of trading in the Woodford Equity Income Fund. Further details can be found in the annual statement by the Chair of the Remuneration Committee on page 68.

Risk effectiveness

During the period, the Committee has overseen a range of improvements in the capacity, skills and experience of the risk management team, as well as in embedding the Group's risk management framework into the operation of its business. The Committee now has an increased focus on evidence provided from those within the Group's first line of defence when considering the use and adoption of risk management by its business. Updates are submitted to the Committee and presented at each meeting for review, discussion and challenge.

These measures continue to increase the effectiveness of the Group's risk management activities. The Chair of the Committee has been in regular contact with the CRO, the Group Director of Risk and Compliance and the Head of Internal Audit throughout the year. At its meeting in June 2019, the Committee received and approved the annual reports on the adequacy and effectiveness of the Group's risk management process, risk function, the embedding of operational risk in various business areas and the effectiveness of the internal control environment.

Risk Committee Evaluation

The Board carried out a comprehensive externally facilitated Board evaluation and effectiveness review during the year to 30 June 2018, which included a review of the performance of the Committee. The results were presented to the Board in October 2018. The Board has taken steps to implement recommended actions as they apply to the Committee. This has included continuing the development of the Group's dynamic risk tools through its Risk Enhancement Plan, and carrying out regular reviews of specific areas of the Group's risk appetite to ensure continued relevance.

The Board is in the process of carrying out an internally run evaluation of its effectiveness, including the Committee, for the current year.

Risk Committee priorities for 2019/20

Looking ahead to the year ending 30 June 2020, the Committee will be focusing on:

- Continued development and embedding of the Risk Management framework;
- Active monitoring and management of the risk profile and performance against the Group's risk appetite, ensuring alignment with the Group's strategy;
- Overseeing the continued evolution of the Group's ICAAP model;
- Reviewing, challenging and approving the Group's 2019/20 ICAAP;
- Overseeing and challenging proposed actions to mitigate the risks to the Group of a future event similar to the recent suspension of the Woodford Equity Income Fund; and
- Receiving and reviewing reports relating to any significant issues that require remedial action which arise in the period under review.

Signed on behalf of the Risk Committee

Shirley Garrood
Chair of the Risk Committee

7 August 2019

Directors' report

The Directors present their report on the affairs of the Group, together with the audited consolidated financial statements, for the year ended 30 June 2019.

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 the Company's shareholders to assess the Group's strategies and the potential for those strategies to succeed. It should not be relied on by any other party for any other purpose. Where it contains forward-looking statements, these are made by the Directors in good faith based on the information available to them at the time of their approval of this report. Such statements should be treated with caution given the inherent uncertainties including both economic and business risk factors associated with them.

Results and dividends

The results of the Group are set out in detail from page 105. The Company paid an interim ordinary dividend during the period, as detailed in note 3.2 to the consolidated financial statements. The Board has proposed a final ordinary dividend of 23.4 pence per share, to be paid in respect of the year ended 30 June 2019, subject to approval at the AGM. In addition, the Board has declared a special dividend of 8.3 pence per share. The proposal would see these dividends paid on 18 October 2019 to all shareholders on the register at 27 September 2019. Details of dividend waivers are also detailed in note 3.2 to the consolidated financial statements.

Events after balance sheet date

Details of important events affecting the Group that have occurred since the end of the financial year to 30 June 2019 are set out in note 5.5 to the consolidated financial statements.

Future developments

Details of likely future developments in the Group's business, along with the Group's activities in the field of research and development, can be found in the Strategic report on pages 2 to 48.

Employee disclosures

Disclosures relating to the employment of disabled persons by the Group, the number of women in senior management roles, employee engagement and policies are included in the Corporate social responsibility section of the Strategic report on pages 42 to 44.

Corporate social responsibility

Disclosures relating to the Group's approach to the environment and sustainability, including details of the Group's greenhouse gas emissions, are included in the Corporate social responsibility section of the Strategic report on pages 46 to 48.

Financial instruments and financial risk management

Details of the Group's policy on risk management in relation to the use of financial instruments, and its exposure to financial, market, liquidity and credit risk, can be found in note 5.7 to the consolidated financial statements.

Corporate governance

The Corporate governance report can be 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 FCA's Disclosure Guidance and Transparency Rules Sourcebook.

Share capital

The Company's ordinary shares are listed on the Main Market of the London Stock Exchange. Details of the Company's share capital, including changes to the issued share capital during the year can be found in note 3.1 to the consolidated financial statements. The ordinary shares rank pari passu in all respects. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. There are no restrictions on voting rights attaching to, or on the transfer of, the Company's ordinary shares.

The Company was granted authority at the AGM in 2018 to purchase its own shares up to an aggregate nominal value of 10% of its issued ordinary share capital. No shares were purchased under this authority in the year to 30 June 2019. This authority expires at this year's AGM, at which a special resolution will be proposed for its renewal.

If passed, the resolution will give the Directors authority to make market purchases of up to 47,431,862 ordinary shares. This represents approximately 10% of the Company's issued ordinary share capital as at 7 August 2019.

The Directors do not have any present intention to exercise this authority, which will expire at the conclusion of the next AGM after the passing of the proposed resolution.

The Directors were granted authority at the AGM in 2018 to allot new ordinary shares up to an aggregate nominal amount of £632,424.80, representing approximately one third of the Company's issued ordinary share capital. This authority expires at this year's AGM, at which a resolution will be proposed for its renewal. If passed,the resolution will grant the Directors authority to allot new ordinary shares up to an aggregate nominal amount of £632,424.80, representing approximately one third of the Company's issued ordinary share capital as at 7 August 2019.

The Directors do not have any present intention of exercising this authority which, if granted, will expire at the conclusion of the next AGM after the passing of the proposed resolution.

The resolutions referred to above seek authorities which are in accordance with the current guidelines issued by the Investment Committees of the Association of British Insurers and the Pensions and Lifetime Savings Association.

Articles of association

The Company's articles of association may only be amended by special resolution at a general meeting of its shareholders.

Directors and their interests

Deanna Oppenheimer, Chris Hill, Philip Johnson, Fiona Clutterbuck, Shirley Garrood, Roger Perkin, Stephen Robertson and Jayne Styles all served as Directors for the full period covered by this report. Dan Olley joined the Board on 1 June 2019 as a Non-Executive Director.

Find out more
The interests of the Directors in the Company's shares are included in the Directors' remuneration report on pages 83 and 87.

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) that required disclosure pursuant to the Companies Act 2006.

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 remains in force. The Company has maintained throughout the financial year directors' and officers' liability insurance cover for up to £60 million to protect the Directors from loss resulting from claims made against them in relation to the discharge of their duties. This cover remains in force at the date of this report.

Substantial shareholdings

As at 30 June 2019, the Company had been advised in accordance with the DTR or otherwise made aware 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	152,557,448 (32.16%)
Lindsell Train Limited	52,354,597 (11.04%)
Stephen Lansdown	41,140,000 (9.31%)
BlackRock, Inc.	32,343,003 (6.81%)
Baillie Gifford	23,888,812 (5.04%)
APG Asset Management N V	14,388,351 (3.03%)

Between 30 June 2019 and 7 August 2019 (the latest practicable date for inclusion in this report), the Company was notified that Lindsell Train Limited had made a further acquisition taking its interest to an aggregate 56,923,823 ordinary shares, representing 12.001% of the total voting rights attached to Company's issued ordinary share capital as at 7 August 2019.

There is a relationship agreement in place between Peter Hargreaves and the Company to ensure that the independence provisions set out in the Listing Rules are complied with. The Board confirms that for the year ended 30 June 2019, 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.

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 (AGM)

All shareholders are invited to attend the AGM on 10 October 2019 and will have the opportunity to put questions to the Board.

Details of all resolutions to be proposed to the Company's shareholders will be set out in the Notice of AGM, which will be circulated ahead of the meeting.

Table of cross references required for 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 it 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 agreed to waive future dividends
(14) Information Regarding Controlling Shareholder	A statement regarding the controlling shareholder is on page 94 of the Directors' report

Going concern, longer term prospects and viability statement

The Board has 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's financial statements.

In accordance with provision C.2.2 of the UK Corporate Governance Code, the Directors have assessed the viability of the Group over a period that exceeds the 12 months required by the going concern provision. Details of this assessment can be found in the risk management and the principal risks and uncertainties section of the Strategic report on page 26.

Disclosure of information to auditor

Having made the requisite enquiries, the Directors in office on the date of this Report and Financial Statements have each confirmed that:

- So far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- Each Director has taken all the steps that he/she ought to have taken as a Director, in order to make himself/herself 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

Alison Zobel
Company Secretary

7 August 2019

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 both the Group financial statements 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

7 August 2019

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 2019 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 2019 (the "Annual Report"), which comprise: the consolidated and parent company statements of financial position as at 30 June 2019; the consolidated income statement, the 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 2018 to 30 June 2019.

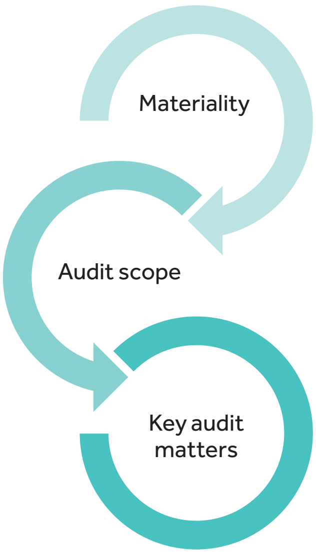
Our audit approach

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: £15.2 million (2018: £14.6 million), based on 5% of profit before tax.
- Overall parent company materiality: £9.9 million (2018: £10.0 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.

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK and European regulatory principles, such as those governed by the Financial Conduct Authority, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006, the Listing Rules, the Financial Conduct Authority's Client Asset Sourcebook and the UK tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue of the company. Audit procedures performed by the engagement team included:

- Discussions with risk and compliance function, internal audit and the company's legal counsel, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Assessment of matters reported on the company's whistle-blowing helpline and the results of management's investigation of such matters;
- Reading key correspondence with the Financial Conduct Authority in relation to compliance with laws and regulations;
- Reviewing relevant meeting minutes including those of the Board and Risk Committee;
- Reviewing data regarding customer complaints and the company's register of litigation and claims, in so far as they related to non-compliance with laws and regulations and fraud;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations; and
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

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. Also, 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.

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 recalculated 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. 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.
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.		**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 6 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 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.

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	£15.2 million (2018: £14.6 million).	£9.9 million (2018: £10.0 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 £5.8 million and £13.7 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 £760,000 (Group audit) (2018: £730,000) and £495,000 (Parent company audit) (2018: £500,000) 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. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the group's trade, customers, suppliers and the wider economy.
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 2019 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 95 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 continued

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 96, 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/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the 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 6 years, covering the years ended 30 June 2014 to 30 June 2019.

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

7 August 2019

Section 1: Results for the year

Consolidated income statement

for the year ended 30 June 2019

	Note	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Revenue	1.1	**480.5**	447.5
Fair value gains on derivatives		**2.2**	2.3
Operating costs	1.3	**(179.4)**	(158.7)
Operating profit		**303.3**	291.1
Finance income	1.6	**2.8**	1.5
Finance costs	1.7	**(0.3)**	(0.2)
Profit before tax		**305.8**	292.4
Tax	1.8	**(58.2)**	(55.7)
Profit for the financial year		**247.6**	236.7
Attributable to:			
Owners of the parent		**247.4**	236.3
Non-controlling interest		**0.2**	0.4
		247.6	236.7
Earnings per share			
Basic earnings per share (pence)	1.9	**52.1**	49.7
Diluted earnings per share (pence)	1.9	**52.0**	49.6

The results relate entirely to continuing operations.

Consolidated statement of comprehensive income

for the year ended 30 June 2019

	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Profit for the financial year	**247.6**	236.7
Total comprehensive income for the financial year	**247.6**	236.7
Attributable to:		
Owners of the parent	**247.4**	236.3
Non-controlling interest	**0.2**	0.4
	247.6	236.7

The results relate entirely to continuing operations.

Section 1: Results for the year

Notes to the Group financial statements
Income statement

1.1 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.

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.

Recurring
Recurring revenue is the largest source of income for the Group encompassing: platform fees, fund management fees, interest on client money and ongoing adviser charges.

Platform fees are received for the provision of custody and administration of products on the HL platform and are charged monthly in arrears for the service provided in the period, recognised on an accruals basis as they fall due. The consideration due is based on the value of clients' underlying assets under administration.

Fund management fees are calculated as a proportion of the net asset value of the funds under management in each of the HL Multi-Manager and Select funds for the management services provided by the Group's fund management subsidiary. They are charged monthly in arrears and are recognised on an accruals basis in the period during which the service is provided.

Ongoing adviser charges are levied monthly in arrears for the period during which the service is provided and are calculated as a percentage of the assets under management within the Group's portfolio management service.

Interest earned on client money is the net interest margin earned on money held within Group products by clients and is accrued on a time basis, based on the client money balances under administration and by reference to the effective interest rate applicable.

Although most recurring revenue is based on the value of underlying benefits, these are not considered to constitute variable income in which significant judgement or estimation is involved. The calculations are based on short timelines or point in time calculations that represent the end of a quantifiable period, in accordance with the contract, and are charged to and paid by the client on the same value, constituting the transaction price for the specified period.

Transactional
Transactional revenue is mainly comprised of: fees on stockbroking transactions, initial adviser charges and renewal commission. The price is determined in relation to the specific transaction type and are frequently flat fees.

The Group earns fees on stockbroking 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.

Initial adviser 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.

Other
Other revenue is made up entirely of the provision of funds data services and research to external parties through FundsLibrary. Billing is either carried out in advance or in arrears with transactional amounts determined in advance and agreed in line with the contract for services. For those amounts billed in advance, the income is deferred over the contract period. Those amounts billed in arrears are accrued for over the performance period of the contract, in line with the estimated usage of services

As at year end, the Group has discharged all of its obligations in relation to contracts with customers, other than in relation to those services that are billed in advance or arrears. These amounts are not material and where an obligation still exists at year end and the payment exceeds the services rendered a contract liability is recognised, as deferred income in trade payables and spread across the period of the transaction evenly.

	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Revenue		
Recurring revenue	**387.3**	344.9
Transactional revenue	**84.3**	94.0
Other revenue	**8.9**	8.6
Total revenue	**480.5**	447.5

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, Fund and Share accounts and Active Savings, 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.

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 2019 £m	Year ended 30 June 2018 £m
Depreciation of owned plant and equipment	**5.4**	4.4
Amortisation of other intangible assets	**4.6**	3.4
Marketing and distribution costs	**12.7**	16.3
Operating lease rentals payable – property	**3.4**	2.9
Office running costs – excluding operating lease rents payable	**3.4**	3.3
FSCS costs	**6.8**	3.5
Other operating costs	**45.9**	37.5
Staff costs (note 1.5)	**97.2**	87.4
Operating costs	**179.4**	158.7

1.4 Auditors' remuneration

The analysis of auditors' remuneration is as follows:

	Year ended 30 June 2019 £m	Year ended 30 June 2018 £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**	0.1
Audit related assurance services	**0.3**	0.2
	0.4	0.3

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 1.10. Other pension costs relate wholly to defined contribution schemes.

	Year ended 30 June 2019 No.	Year ended 30 June 2018 No.
The average monthly number of employees of the Group (including Executive Directors) was:		
Operating and support functions	**1,163**	1,006
Administrative functions	**411**	392
	1,574	1,398
Their aggregate remuneration comprised:	**£m**	£m
Wages and salaries	**79.8**	71.2
Social security costs	**8.5**	7.8
Share-based payment expenses	**3.8**	3.6
Other pension costs	**9.7**	8.1
Total costs paid for staffing	**101.8**	90.7
Capitalised in the year	**(4.6)**	(3.3)
Staff costs	**97.2**	87.4

The staff costs of £101.8 million (2018: £90.7 million) include costs capitalised under intangible assets. In total, £3.8 million of wages and salaries (2018: £2.8 million), social security costs of £0.5 million (2018: £0.3 million) and pension costs of £0.3 million (2018: £0.2 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 2019 £m	Year ended 30 June 2018 £m
Interest on bank deposits	**2.8**	1.5

1.7 Finance costs

	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Commitment fees	**0.3**	0.2

The finance costs relate to the commitment fees paid in respect of a revolving credit facility taken up in the prior year. The facility allows the Group to draw up to £75 million (2018: £75 million) and is undrawn as at 30 June 2019. The facility incurs interest charges, consisting of a margin of 0.85% plus LIBOR per annum when drawn .

1.8 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 2019 £m	Year ended 30 June 2018 £m
Current tax: on profits for the year	**58.4**	56.0
Current tax: adjustments in respect of prior years	**0.1**	0.2
Deferred tax (note 2.8)	**(0.2)**	(0.4)
Deferred tax: adjustments in respect of prior years (note 2.8)	**(0.1)**	(0.1)
	58.2	55.7

Corporation tax is calculated at 19% of the estimated assessable profit for the year to 30 June 2019 (2018: 19%).

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 2019 £m	Year ended 30 June 2018 £m
Deferred tax relating to share-based payments	**0.6**	(1.6)
Current tax relating to share-based payments	**(1.0)**	(1.1)
	(0.4)	(2.7)

Notes to the Group financial statements
Income statement

1.8 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 18.5% 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 2019.

The charge for the year can be reconciled to the profit per the income statement as follows:

	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Profit before tax	**305.8**	292.4
Tax at the standard UK corporation tax rate of 19.0% (2018: 19.0%)	**58.1**	55.6
Non-taxable income	**(0.1)**	(0.2)
Items not allowable for tax	**–**	0.1
Adjustments in respect of prior years	**–**	0.2
Impact of the change in tax rate	**0.2**	–
Tax expense for the year	**58.2**	55.7
Effective tax rate	**19.0%**	19.0%

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 Act 2016 was substantively enacted on 6 September 2016 reducing the rate further to 17% from 1 April 2020, replacing the originally planned 18% rate.

1.9 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 (HL EBT) and Hargreaves Lansdown SIP Trust (SIP) 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 potentiallly dilutive 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 2019 (2018: nil).

	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Earnings		
Earnings for the purposes of basic and diluted EPS – net profit attributable to equity holders of parent company	**247.4**	236.3
Number of shares		
Weighted average number of ordinary shares	**474,318,625**	474,318,625
Weighted average number of shares held by HL EBT and SIP	**(125,270)**	(328,053)
Weighted average number of shares held by HL EBT and SIP that have vested unconditionally with employees	**382,065**	439,127
Weighted average number of ordinary shares for the purposes of basic EPS	**474,575,420**	474,429,699
Weighted average number of dilutive share options held by HL EBT and SIP that have not vested unconditionally with employees	**1,189,428**	984,793
Weighted average number of ordinary shares for the purposes of diluted EPS	**475,764,848**	475,414,492
Earnings per share	**Pence**	Pence
Basic EPS	**52.1**	49.7
Diluted EPS	**52.0**	49.6

1.10 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 10 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 Sustained Performance Plan (SPP) – an Executive Option Scheme, although options are forfeited (in most circumstances) if the employee leaves the Group before the options vest.

1.10 Share-based payments continued

Details of the share options and share awards outstanding during the year are as follows:

	Year ended 30 June 2019		Year ended 30 June 2018	
	Share options No.	Weighted average exercise price Pence	Share options No.	Weighted average exercise price Pence
SAYE				
Outstanding at beginning of the year	**856,927**	**1,093.2**	792,477	975.4
Granted during the year	**263,238**	**1,384.0**	187,466	1,377.0
Exercised during the year	**(197,460)**	**1,044.2**	(85,133)	667.5
Forfeited during the year	**(30,762)**	**1,048.0**	(37,883)	990.3
Outstanding at the end of the year	**891,943**	**1,191.4**	856,927	1,093.2
Exercisable at the end of the year	**24,057**	**1,067.6**	1,040	864.9
Executive Option Scheme				
Outstanding at beginning of the year	**2,524,947**	**957.3**	3,557,149	995.2
Granted during the year	**194,277**	**–**	281,209	131.7
Exercised during the year	**(583,217)**	**1,116.2**	(918,802)	842.6
Forfeited during the year	**(297,296)**	**1,239.3**	(394,609)	977.8
Outstanding at the end of the year	**1,838,711**	**759.6**	2,524,947	957.3
Exercisable at the end of the year	**230,354**	**642.2**	161,086	932.5
SIP				
Outstanding at beginning of the year	**37,235**	**23.5**	39,600	23.5
Exercised during the year	**(2,350)**	**23.5**	(2,365)	23.5
Outstanding at the end of the year	**34,885**	**23.5**	37,235	23.5
Exercisable at the end of the year	**34,885**	**23.5**	37,235	23.5

The weighted average market share price at the date of exercise for options exercised during the year was 2,037.4 pence (2018: 1,593.9 pence).

The share options outstanding at the end of each year have exercise prices and expected remaining lives as follows:

	Year ended 30 June 2019		Year ended 30 June 2018	
	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	**1,285,819**	**865.0**	1,240,927	1,068.0
1-2 years	**895,004**	**1,021.2**	1,090,031	903.8
2-3 years	**414,037**	**1,046.3**	939,420	1,037.4
3-4 years	**98,731**	**0.0**	50,000	1,377.6
4-5 years	**71,948**	**0.0**	98,731	0.0
	2,765,539	**889.3**	3,419,109	980.9

The fair value at the date of grant of options awarded during the year ended 30 June 2019 and the year ended 30 June 2018 has been estimated by the Black-Scholes methodology and the principal assumptions required by the methodology were as follows:

	At 30 June 2019	At 30 June 2018
Weighted average share price	**1,974.3p**	1,642.5p
Expected dividend yields	**1.81%**	1.92%
SAYE		
Weighted average exercise price	**1,384.0p**	1,377.0p
Expected volatility	**28%**	29%
Risk-free rate	**0.80%**	0.94%
Expected life	**3 years**	3 years
Fair value	**814.9p**	484.6p
Executive scheme		
Weighted average exercise price	**0.00p**	131.66p
Expected volatility	**30%**	28%
Risk-free rate	**1.45%**	0.52%
Expected life	**4.6 years**	4.5 years
Fair value	**2,046.0p**	1,202.6p

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.

Section 2: Assets and liabilities
Consolidated statement of financial position

as at 30 June 2019

	Note	At 30 June 2019 £m	At 30 June 2018 £m
ASSETS			
Non-current assets			
Goodwill	2.1	**1.3**	1.3
Other intangible assets	2.2	**23.0**	18.1
Property, plant and equipment	2.3	**16.0**	13.8
Deferred tax assets	2.8	**3.8**	4.1
		44.1	37.3
Current assets			
Investments	2.4	**1.1**	1.5
Derivative financial instruments	2.5	**0.1**	0.2
Trade and other receivables	2.6	**748.6**	627.2
Cash and cash equivalents	2.7	**179.3**	125.3
		929.1	754.2
Total assets		**973.2**	791.5
LIABILITIES			
Current liabilities			
Trade and other payables	2.9	**485.7**	364.7
Derivative financial instruments	2.5	**–**	0.1
Current tax liabilities		**27.5**	20.8
		513.2	385.6
Net current assets		**415.9**	368.6
Non-current liabilities			
Provisions	2.10	**0.7**	0.7
Total liabilities		**513.9**	386.3
Net assets		**459.3**	405.2
EQUITY			
Share capital	3.1	**1.9**	1.9
Shares held by EBT reserve		**(3.4)**	(3.5)
EBT reserve		**1.5**	6.2
Retained earnings		**457.9**	399.4
Total equity, attributable to the owners of the parent		**457.9**	404.0
Non-controlling interest	3.1	**1.4**	1.2
Total equity		**459.3**	405.2

The consolidated financial statements on pages 105 to 137 were approved by the Board and authorised for issue on 7 August 2019 and signed on its behalf by:

Philip Johnson
Chief Financial Officer

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 2019 £m	Year ended 30 June 2018 £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 2022 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 2019. As a result there are no significant indicators that 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, having since grown the number of clients to approximately 28,000.

Costs relating to an asset that is not yet fully available for use by the business, are 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.

	Customer list £m	Computer software £m	Internally developed software £m	Total £m
Cost				
At 1 July 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
Additions	2.8	3.6	3.1	9.5
At 30 June 2019	**3.8**	**17.4**	**17.7**	**38.9**
Accumulated amortisation				
At 1 July 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
Charge	0.1	2.6	1.9	4.6
At 30 June 2019	**0.3**	**11.6**	**4.0**	**15.9**
Carrying amount				
At 30 June 2019	**3.5**	**5.8**	**13.7**	**23.0**
At 30 June 2018	0.8	4.8	12.5	18.1
At 1 July 2017	0.3	3.2	8.4	11.9

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 assets is six to eight years.

Computer software includes externally acquired licences and internally generated system improvements.

Commitments in respect of intangible assets are shown in note 5.3.

Notes to the Group financial statements
Consolidated statement of financial position

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 2017	25.0	8.2	33.2
Additions	4.3	2.2	6.5
At 30 June 2018	29.3	10.4	39.7
Additions	6.7	0.9	7.6
At 30 June 2019	**36.0**	**11.3**	**47.3**
Accumulated depreciation			
At 1 July 2017	17.3	4.2	21.5
Charge	3.4	1.0	4.4
At 30 June 2018	20.7	5.2	25.9
Charge	4.1	1.3	5.4
At 30 June 2019	**24.8**	**6.5**	**31.3**
Carrying amount			
At 30 June 2019	**11.2**	**4.8**	**16.0**
At 30 June 2018	8.6	5.2	13.8
At 1 July 2017	7.7	4.0	11.7

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 fair value.

Investments by default are designated as being held at fair value through profit or loss and are subsequently measured at fair value. 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 mandatorily, in accordance with IFRS 9.

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 is recognised in profit or loss.

	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
At beginning of year	**1.5**	4.1
Purchases	**–**	–
Disposals	**(0.4)**	(2.6)
At end of year	**1.1**	1.5
Comprising:		
Current asset investment – UK listed securities valued at quoted market price	**1.1**	1.5

£1.1 million (2018: £1.5 million) of investments are classified as held at fair value through profit and loss, being deal-related short-term investments. In the previous year this also included 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.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Group has both legal right and intention to offset.

	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Assets	**0.1**	0.2
Liabilities	**–**	0.1

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.

£2.2 million (2018: £2.3 million) of gains have been made, on a net basis, as a result of the fair value movements on derivatives in the year.

Notes to the Group financial statements
Consolidated statement of financial position

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 and are initially measured at fair value.

Trade and other receivables
Trade and other receivables are subsequently measured at amortised cost using the effective interest method less any expected credit losses. The financial assets are held in order to collect the contractual cash flows and those cash flows are payments of interest and principal only. The Group recognises Expected Credit Losses (ECLs) relating to trade receivables in line with the simplified approach per IFRS 9 and calculated based on the historic information available from the preceding years alongside factors impacting the individual debtors, economic conditions and forecast expectations. Impairment losses are recognised immediately in the Income Statement.

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 in line with IFRS 9.

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 2019 £m	Year ended 30 June 2018 £m
Financial assets:		
Trade receivables	**461.4**	348.5
Term deposits	**215.0**	222.0
Other receivables	**4.5**	4.2
	680.9	574.7
Non-financial assets:		
Accrued income	**59.1**	45.8
Prepayments	**8.6**	6.7
	748.6	627.2

In accordance with market practice, certain balances with clients, Stock Exchange member firms and other counterparties totalling £429.3 million (2018: £327.1 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 £524.8 million (2018: £417.3 million) and the gross amount offset in the statement of financial position with trade payables is £95.5 million (2018: £90.2 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.

Given the short-term nature of the Group's receivables and the expectation of the Group in relation to its counterparties, there has been no material expected credit loss recognised in the period – see note 5.7 for further details.

The Group does not have any contract assets in respect of its revenue contracts with customers (2018: nil)

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.

Deposits held by the Group on unbreakable terms greater than three months are classified as receivables.

	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Cash and cash equivalents:		
Group cash and cash equivalent balances	**179.0**	121.5
Restricted cash – balances held by HL EBT	**0.3**	3.8
	179.3	125.3

At 30 June 2019, 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 £5,398 million (2018: £9,645 million). In addition, there were currency service cash accounts held on behalf of clients not governed by the client money rules of £28.7 million (2018: £22.5 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 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 18.5% 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 2017	(0.1)	1.8	0.3	**2.0**
Credit/(charge) to income	0.2	0.4	(0.1)	**0.5**
Credit to equity	–	1.6	–	**1.6**
At 30 June 2018	0.1	3.8	0.2	**4.1**
Credit to income	0.2	0.1	–	**0.3**
Charge to equity	–	(0.6)	–	**(0.6)**
At 30 June 2019	**0.3**	**3.3**	**0.2**	**3.8**
Deferred tax expected to be recovered or settled:				
Within 1 year after reporting date	0.1	0.4	0.1	**0.6**
>1 year after reporting date	0.2	2.9	0.1	**3.2**
	0.3	3.3	0.2	**3.8**

2.9 Trade and other payables

Financial liabilities are classified according to the substance of the contractual arrangements entered into.

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 2019 £m	Year ended 30 June 2018 £m
Financial liabilities		
Trade payables	**433.9**	327.4
Social security and other taxes	**7.3**	8.7
Other payables	**19.6**	14.1
	460.8	350.2
Non-financial liabilities		
Accruals	**23.8**	13.6
Deferred income	**1.1**	0.9
	485.7	364.7

In accordance with market practice, certain balances with clients, Stock Exchange member firms and other counterparties totalling £425.6 million (2018: £324.6 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 receipts from clients, where cash is received in advance for certain services

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 2017	**0.6**
Charged during the year	**0.1**
At 30 June 2018	**0.7**
Charged during the year	**–**
At 30 June 2019	**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.

Section 3: Equity
Consolidated statement of changes in equity

for the year ended 30 June 2019

	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 2017	1.9	(7.0)	7.9	304.1	**306.9**	0.8	**307.7**
Total comprehensive income[1]	–	–	–	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)**
HL 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 1.8)	–	–	–	1.1	**1.1**	–	**1.1**
Deferred tax effect of share-based payments (note 1.8)	–	–	–	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**
Total comprehensive income[1]	–	–	–	247.4	**247.4**	0.2	**247.6**
Employee Benefit Trust							
Shares sold in the year	–	15.1	–	–	**15.1**	–	**15.1**
Shares acquired in the year	–	(15.0)	–	–	**(15.0)**	–	**(15.0)**
HL EBT share sale	–	–	(7.4)	–	**(7.4)**	–	**(7.4)**
Reserve transfer on exercise of share options	–	–	2.6	(2.6)	**–**	–	**–**
Employee share option scheme							
Share-based payments expense	–	–	–	3.8	**3.8**	–	**3.8**
Current tax effect of share-based payments (note 1.8)	–	–	–	1.0	**1.0**	–	**1.0**
Deferred tax effect of share-based payments (note 1.8)	–	–	–	(0.6)	**(0.6)**	–	**(0.6)**
Dividend paid (note 3.2)	–	–	–	(190.5)	**(190.5)**	–	**(190.5)**
At 30 June 2019	1.9	(3.4)	1.5	457.9	**457.9**	1.4	**459.3**

1 Total comprehensive income includes profit after tax for the year and are the same figure.

Notes to the Group financial statements
Consolidated statement of changes in equity

3.1 Share capital

	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Authorised: 525,000,000 (2018: 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 FundsLibrary Limited and a 7.5% shareholding in Hargreaves Lansdown Savings Limited, which are both subsidiaries of the Company.

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 2019 £m	Year ended 30 June 2018 £m
2018 final dividend of 22.1p (2017 second interim dividend: 20.4p) per share	**104.7**	96.7
2018 special dividend of 7.8p (2017: nil) per share	**37.0**	–
2019 interim dividend of 10.3p (2018: 10.1p) per share	**48.8**	47.8
Total dividends paid during the year	**190.5**	144.5

After the end of the reporting period, the Directors declared a final ordinary dividend of 23.4 pence per share and a special dividend of 8.3 pence per share payable on 18 October 2019 to shareholders on the register on 27 September 2019. 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 2020 financial statements as follows:

	£m
2019 final dividend of 23.4p (2018 final dividend: 22.1p) per share	**110.9**
2019 special dividend of 8.3p (2018 special dividend: 7.8p) per share	**39.3**
Total dividends	**150.2**

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 2019 No. of shares	Year ended 30 June 2018 No. of shares
Number of shares held by the Hargreaves Lansdown Employee Benefit Trust	**387,684**	413,604
Representing % of called-up share capital	**0.08%**	0.09%

Consolidated statement of cash flows

for the year ended 30 June 2019

	Note	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Net cash from operating activities			
Profit for the year after tax		**247.6**	236.7
Adjustments for:			
Income tax expense		**58.2**	55.7
Depreciation of plant and equipment		**5.4**	4.4
Amortisation of intangible assets		**4.6**	3.4
Share-based payment expense		**3.9**	3.6
Increase in provisions		**–**	0.1
Operating cash flows before movements in working capital		**319.7**	303.9
(Increase)/decrease in receivables		**(128.4)**	43.7
Increase/(decrease) in payables		**121.0**	(46.9)
Cash generated from operations		**312.3**	300.7
Income tax paid		**(50.8)**	(55.9)
Net cash generated from operating activities		**261.5**	244.8
Investing activities			
(Increase)/decrease in term deposits		**7.0**	(42.0)
Purchase of property, plant and equipment		**(7.6)**	(6.5)
Purchase of intangible assets		**(9.5)**	(9.6)
Proceeds on disposal of investments		**0.4**	2.6
Net cash used in investing activities		**(9.7)**	(55.5)
Financing activities			
Purchase of own shares in EBT		**(15.0)**	(8.6)
Proceeds on sale of own shares in EBT		**7.7**	7.7
Dividends paid to owners of the parent		**(190.5)**	(144.5)
Net cash used in financing activities		**(197.8)**	(145.4)
Net increase in cash and cash equivalents		**54.0**	43.9
Cash and cash equivalents at beginning of year	2.7	**125.3**	81.4
Cash and cash equivalents at end of year (including restricted cash)	2.7	**179.3**	125.3

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 as part of the Strategic Report.

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 95.

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, while 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 2019. 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 other than as described below:

IFRS 9
In the current year, the Group has applied IFRS 9 'Financial Instruments' and the related amendments to other IFRS standards that are applicable for the first time for financial periods beginning on or from 1 January 2018. The standard replaces IAS 39 'Financial Instruments: Recognition and Measurement'. The adoption of IFRS 9 does not require the Group to restate prior periods. As a result, no adjustments have been made to opening reserves as at the date of initial application. The date of initial application was 1 July 2018 and the financial instruments of the Group that continue to be recognised at this date have been classified in accordance with the requirements of the standard.

The Group has also adopted the amendments to IFRS 7 'Financial Instruments: Disclosures' that apply for the year ended 30 June 2019.

IFRS 9 introduces new requirements for:

a) The classification and measurement of financial assets;

b) Impairment of financial assets;

c) Classification and measurement of financial liabilities; and

d) Disclosures in relation to the initial application of IFRS 9.

a) Classification and measurement of financial assets

All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

The directors of the Company have assessed the financial assets of the Group that continued to be held as at 1 July 2018 based on the circumstances at that date. The conclusions arrived at in relation to the initial application of IFRS 9 have the following impact on the Group's financial assets:

- The Group's investments in equity instruments that are held for trading will not be subject to a change in measurement; those instruments were and continue to be measured at Fair Value Through Profit or Loss (FVTPL);
- Financial assets held as loans and receivables under IAS 39 that were measured at amortised cost will continue to be measured at amortised cost under IFRS 9 as they are held within the business model to collect contractual cash flows and these cash flows consist solely of repayments of principal and interest on the principal amount outstanding; and
- Derivative financial instruments held are also not subject to a change in measurement and continue to be held and measured at FVTPL.

These classifications have had no impact on the Group's financial position, profit or loss, other comprehensive income or total comprehensive income.

b) Impairment of financial assets

Impairment measurement under IFRS 9 requires an assessment to be made of the expected credit losses on financial instruments. This does not apply to equity instruments, but does apply to the trade and other receivables balances. IFRS 9 requires the Group to measure the loss allowance equal to the lifetime expected credit losses if the asset has experienced significant increases in credit risk since initial recognition.

This requires directors of the Company to assess the expected increases in credit risk for the financial instruments held by the Group in a given financial year. In relation to financial assets upon which the Group is required to assess losses, the following have been considered:

- Trade and other receivables; and
- Cash and cash equivalents.

Equity investments classified and measured at FVTPL are not subject to impairment as they are all Level 1 investments valued based on the latest available market price.

The application of IFRS 9 has not led to a change in the level of impairment recognised by the Group.

A large proportion of the receivables of the Group are short term and mostly in relation to counterparty balances. With these types of balances, in the event of the failure by one party to complete the transaction, there are equal and opposite transactions that will be cancelled or rearranged to cover potential losses. Where there are outstanding receivables for fees from customers, those customers are either institutions with high credit ratings and low chances of default or they are individuals with asset balances that exceed the value of the receivable. In the event payment is not received from individuals there is recourse to sell assets to cover any debts. As a result the expectation of loss in relation to these balances is not material.

Financial assets, both receivables and cash and cash equivalents, for which there is no collateral of this type or for which credit ratings are not available are addressed using the simplified approach. Given the immaterial nature of the balances over which this approach has been applied it has not had an effect on the financial statements in the current or prior year.

5.1 General information continued

c) Classification and measurement of financial liabilities

The financial liabilities of the Group that are in the scope of IFRS 9 have not been subject to any change in classification or measurement, subsequently trade and other payables previously measured at amortised cost will continue to be measured in that way. Derivative financial instrument liabilities will be measured at FVTPL as with the Derivative assets.

d) Disclosures in relation to the initial application of IFRS 9

There were no financial assets or financial liabilities which the Group had previously designated as at FVTPL under IAS 39 that were subject to reclassification or which the Group has elected to reclassify upon the application of IFRS 9. There were no financial assets or financial liabilities which the Group has elected to designate as at FVTPL at the date of initial application of IFRS 9.

No adjustments have been made to prior year comparatives as a result of the adoption of IFRS 9.

IFRS 15

In the current year, the Group has adopted IFRS 15 'Revenue from Contracts with Customers' for the first time and is effective for annual periods beginning on or after 1 January 2018. IFRS 15 introduces a five step approach to revenue recognition and replaces IAS 18 'Revenue'. A detailed assessment of all revenue streams, using the five step model outlined in the standard, has been undertaken, considering those steps as outlined by the standard:

- Identifying the contract with a customer;
- Identifying the performance obligations in the contract;
- Determining the transaction price;
- Allocating the transaction price to separate performance obligations; and
- Recognising revenue as the entity satisfies a performance obligation.

The Group has applied the modified approach to implementation of IFRS 15 and have taken the practical expedient afforded under IFRS 15:20 to not restate any matters in relation to completed contracts or contracts that have been modified prior to the date of initial application. There has been no consideration received in respect of obligations that expired in previous periods. Transaction price can accurately be determined, for all contracts, with obligations being realised equally over the course of the contract where the transaction is not performed immediately.

There has been no material change in the accounting policies in relation to revenue as a result of the implementation of IFRS 15, meaning that there was no impact on adoption of the standard, with all of the policies in place under IAS 18 satisfying the requirements under IFRS 15, with one exception. In line with IFRS 15, cash incentives paid to clients, who transferred to the platform for at least 12 months, have been considered to be a reduction in revenue earned from those clients, whereas previously these incentives were considered an operating cost. These incentives will now be recognised over a period of 12 months, being the period over which the incentive must be earned. As a result, the net impact to the Consolidated Income Statement has been to increase operating profit by £0.9 million, within the year, after the application of the new standard, IFRS 15, than previously would have been recognised under IAS 18. This has not impacted amounts stated in prior periods, as contracts were considered to be complete at the end of the prior period.

Other standards and amendments adopted this year have had no impact and are outlined below:

- Annual improvements to IFRS 2014-2017 cycle:
  - Amendments to IAS 28 'Investments in Associates and Joint Ventures';
- Amendment to IFRS 2, 'Classification and Measurement of Share-based Payment Transactions';
- Amendments to IAS 40 'Transfers of Investment Property';
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration', which addresses how to determine the date of a transaction for purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when paid or received in advance for a transaction in foreign currency.

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 16 'Leases'
- IFRS 17 'Insurance Contracts'
- Amendment to IAS 19 'Employee Benefits'
- Amendments to IFRS 9 'Prepayment Features with Negative Compensation'
- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Annual Improvements to IFRS Standards 2015-2018 Cycle
- IFRIC 23 'Uncertainty of Income Tax Treatments'

No early adoption of accounting standards has occurred for the years ended 30 June 2019 or 30 June 2018.

Management have assessed the new and impending standards, as outlined above, and have outlined the impacts as follows:

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 impacted by the adoption of IFRS 16, all over property, at the end of the period, with remaining commitments of £23.9 million, at 30 June 2019. In addition the Group has one other lease that is too short to be considererd under IFRS 16. The current proposed adoption will see the Group recognise material assets in the region of £21.0m and liabilities of £20.0m, leading to an immaterial net impact on the balance sheet. Key judgements have been made in relation to the appropriate discount rate used in the application of IFRS 16, although none of the judgements would lead to a material change in the amounts recognised on adoption of the standard. The Group has chosen to apply the simplified approach and has taken a prospective approach to the valuation of the right-of-use assets as at the transition date.

IFRS 16 will be effective for financial years beginning on or after 1 January 2019. As at the date of this report, the implementation of IFRS 16 has been completed for the 2020 financial year, with the appropriate impacts considered for the Statement of Comprehensive Income and the Statement of Financial Position being in agreement with the values set out above.

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.

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 2019 £m	Year ended 30 June 2018 £m
Minimum lease payments under operating lease recognised as an expense in the year	**3.4**	2.9
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**	3.7
In the second to fifth years inclusive	**14.3**	14.8
After five years	**5.9**	10.1
Total minimum lease payments	**23.9**	28.6

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 (2018: £0.1 million) for IT equipment.

Notes to the Group financial statements
Other

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".

5.5 Events after the reporting period

On 7 August 2019 the Directors proposed a final ordinary dividend payment of 23.4 pence per ordinary share and a special dividend of 8.3 pence per share, payable on 18 October 2019 to all shareholders on the register at the close of business on 27 September 2019 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 2019 and 30 June 2018, 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 10 year lease was signed on 6 April 2011 for a rental of part of the building, to be used for a small number of staff and for disaster recovery purposes at a market rate rent of £0.1 million per annum. No amount was outstanding at either year end.

Throughout the year, the non-controlling interest in both HL Savings Limited and FundsLibrary 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 2019 and 30 June 2018, 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.

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 2019 £m	Year ended 30 June 2018 £m
Short-term employee benefits	**5.9**	9.0
Post-employment benefits	**0.1**	0.2
Share-based payments	**2.3**	1.7
	8.3	10.9

In addition to the amounts above, eight key management personnel (2018: eight) received gains of £1.6 million (2018: £1.9 million) as a result of exercising share options. During the year, awards were made under executive option schemes for 10 key management personnel (2018: 10).

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 2019 £m	Year ended 30 June 2018 £m
Short-term employee benefits	**1.4**	4.0
Share-based payments	**0.9**	0.5
	2.3	4.5

In addition to the amounts above, Directors of the Company received gains of £0.2 million relating to the exercise of share options (2018: £0.2 million).

	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Emoluments of the highest paid Director	**0.6**[1]	2.4[1]
	No.	No.
Number of Directors who exercised share options during the year	**1**	1
Number of Directors who were members of money purchase pension schemes	**1**	1

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.

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		Financial assets at amortised cost		Financial liabilities measured at amortised cost		Total	
	2019 £m	2018 £m	**2019 £m**	2018 £m	**2019 £m**	2018 £m	**2019 £m**	2018 £m
Financial assets								
Investments:								
Equity investments	**1.1**	1.5	**–**	–	**–**	–	**1.1**	1.5
Derivative financial instruments	**0.1**	0.2	**–**	–	**–**	–	**0.1**	0.2
Trade and other receivables:								
Trade receivables	**–**	–	**461.4**	348.5	**–**	–	**461.4**	348.5
Other receivables	**–**	–	**4.5**	4.2	**–**	–	**4.5**	4.2
Cash and cash equivalents	**–**	–	**179.3**	125.3	**–**	–	**179.3**	125.3
Term deposits	**–**	–	**215.0**	222.0	**–**	–	**215.0**	222.0
Total financial assets	**1.2**	1.7	**860.2**	700.0	**–**	–	**861.4**	701.7
Financial liabilities								
Derivative financial instruments	**–**	0.1	**–**	–	**–**	–	**–**	0.1
Trade payables	**–**	–	**–**	–	**433.9**	327.4	**433.9**	327.4
Other payables	**–**	–	**–**	–	**26.9**	22.8	**26.9**	22.8
Total financial liabilities	**–**	0.1	**–**	–	**460.8**	350.2	**460.8**	350.3

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 2019				
Financial assets at fair value through profit or loss	**1.1**	**–**	**–**	**1.1**
Trading derivatives:				
Foreign exchange Assets	**–**	**0.1**	**–**	**0.1**
Foreign exchange Liabilities	**–**	**–**	**–**	**–**
	1.1	**0.1**	**–**	**1.2**
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

There were no transfers between Level 1 and Level 2 assets during the year (2018: £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 counterparty 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.

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 2019, the value of financial instruments on the Group Statement of Financial Position exposed to interest rate risk was £394.3 million (2018: £347.3 million) comprising cash, cash equivalents and term deposits.

Impact of change in interest rates on finance income in the Consolidated Income Statement.

	2019 £m	2018 £m
+50bps (0.5%)	**1.9**	0.5
-50bps (-0.5%)	**(1.9)**	(0.5)

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 £10,822 million at 30 June 2019 (2018: £9,645 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 2019, the fair value of investments recognised on the Group statement of financial position was £1.1 million (2018: £1.5 million). A 20% move in equity prices, in isolation, would have an impact of £0.2 million (2018: £0.3 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.

5.7 Financial instruments continued

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 2019				At 30 June 2018			
	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	**433.9**	**–**	**–**	**433.9**	327.4	–	–	327.4
Other payables	**19.5**	**5.0**	**2.4**	**26.9**	21.7	–	1.1	22.8
Derivative liabilities at fair value through profit and loss	**–**	**–**	**–**	**–**	0.1	–	–	0.1
	453.4	**5.0**	**2.4**	**460.8**	349.2	–	1.1	350.3

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 expected credit losses.

Also included within trade and other receivables in the statement of financial position are term deposits, these are deposits with UK licensed 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 2019 £m	At 30 June 2018 £m
Loans and receivables at amortised cost		
Cash and cash equivalents (including restricted cash)	**179.3**	125.3
Trade and other receivables	**465.9**	352.7
Term deposits	**215.0**	222.0
Financial assets at fair value through profit or loss		
Financial investments	**1.1**	1.5
Derivative financial assets	**0.1**	0.2
	861.4	701.7

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.

The Group applies the simplified approach to providing for expected credit losses for receivables, allowing the use of lifetime expected loss provisions to be made. To determine expected credit losses financial assets have been grouped based on shared credit risk characteristics, being the number of days past 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 2019						
Trade and other receivables:						
Trade receivables	452.2	6.0	1.6	0.8	0.8	**461.4**
Other receivables	4.5	–	–	–	–	**4.5**
Term deposits	215.0	–	–	–	–	**215.0**
Derivative assets	0.1	–	–	–	–	**0.1**
	671.8	6.0	1.6	0.8	0.8	**681.0**
Held-for-trading assets	1.1	–	–	–	–	**1.1**
	672.9	6.0	1.6	0.8	0.8	**682.1**
At 30 June 2018						
Trade and other receivables:						
Trade receivables	339.9	6.0	1.1	1.0	0.5	**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	0.5	**574.9**
Held-for-trading assets	1.5	–	–	–	–	**1.5**
	567.8	6.0	1.1	1.0	0.6	**576.4**

During the year, the Group has provided £nil (2018: £nil) in respect of receivables that are not expected to be recovered. At the end of the reporting period, £0.1 million (2018: £0.2 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 (2018: £nil).

The expected loss in relation to receivables is considered to be immaterial, due to the short-term nature of the receivable balance and the small value of assets that are outstanding for long periods, without any potential recourse allowing the Group to reclaim the balance.

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, £154.9 million (2018: £103.8 million) is due from financial institutions regulated by the FCA in the course of settlement as a result of daily trading and £3.9 million (2018: £3.7 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.

5.7 Financial instruments continued

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 2019				
Trade receivables	154.9	0.2	297.1	**452.2**
Other receivables	4.5	–	–	**4.5**
Term deposits	215.0	–	–	**215.0**
Derivative assets	–	–	0.1	**0.1**
Held-for-trading assets	1.1	–	–	**1.1**
	375.5	0.2	297.2	**672.9**
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**

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 and share capital which total £459.8 million as at 30 June 2019 (2018: £401.3 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 **https://www.hl.co.uk/investor-relations/key-financial-data/pillar-3-disclosures2**.

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 10 Hargreaves Lansdown Multi-Manager funds and the three 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 Ltd. and through portfolios held in Hargreaves Lansdown Asset Management Limited that mimic holdings in the Portfolio Management Service and HL Portfolio+. No investments exist as at 30 June 2019 due to the change in pricing methodology in the year, to a single price model, eliminating the box profits and associated investment holdings.

The table below shows the details of unconsolidated structured entities in which the Group has direct holdings as at 30 June 2019 and 30 June 2018.

	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
2019	**Unit Trust**	**13**	**9,385.1**	**–**	**68.3**	**6.2**
2018	Unit Trust	12	9,559.4	0.2	67.1	6.0

Section 6: Company financial statements

Parent company statement of financial position

	Note	At 30 June 2019 £m	At 30 June 2018 £m
ASSETS			
Non-current assets			
Investments in subsidiaries	6.4	**51.7**	43.8
		51.7	43.8
Current assets			
Trade and other receivables	6.5	**242.3**	247.7
Cash and cash equivalents	6.6	**22.5**	15.2
Current tax asset		**1.0**	–
		265.8	262.9
Total assets		**317.5**	306.7
LIABILITIES			
Current liabilities			
Trade and other payables	6.7	**43.2**	45.2
		43.2	45.2
Net current assets		**222.6**	217.7
Total liabilities		**43.2**	45.2
Net assets		**274.3**	261.5
EQUITY			
Share capital	6.9	**1.9**	1.9
Retained earnings	6.9	**272.4**	259.6
Total equity		**274.3**	261.5

The Company recorded a profit for the financial year ended 30 June 2019 of £199.4 million (2018: £199.2 million).

The financial statements of Hargreaves Lansdown plc, registered number 02122142, on pages 138 to 144, were approved by the Board and authorised for issue on 7 August 2019.

Philip Johnson
Chief Financial Officer

Parent company statement of changes in equity

for the year ended 30 June 2019

	Share capital £m	Retained earnings £m	**Total equity £m**
At 1 July 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**
Profit and total comprehensive income	–	199.4	**199.4**
Increase in investment in subsidiaries	–	3.9	**3.9**
Dividend paid	–	(190.5)	**(190.5)**
At 30 June 2019	1.9	272.4	**274.3**

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 2019 £m**	Year ended 30 June 2018 £m
Net cash from operating activities			
Cash generated from operations	6.8	**209.8**	242.3
Net cash from operating activities		**209.8**	242.3
Investing activities			
Increase in term deposits		**(8.0)**	(92.0)
Purchase of investment in subsidiary		**(4.0)**	(6.0)
Net cash used in investing activities		**(12.0)**	(98.0)
Financing activities			
Dividends paid to owners of the parent		**(190.5)**	(144.5)
Net cash used in financing activities		**(190.5)**	(144.5)
Net increase / (decrease) in cash and cash equivalents	6.6	**7.3**	(0.2)
Cash and cash equivalents at beginning of year	6.6	**15.2**	15.4
Cash and cash equivalents at end of year	6.6	**22.5**	15.2

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.

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 £199.4 million (2018: £199.2 million).

The Auditors' remuneration for audit and other services is disclosed in note 1.4 to the consolidated financial statements.

6.4 Investment in subsidiaries

	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Investments in subsidiaries		
At beginning of year	**43.8**	34.2
Increase in investment in subsidiaries	**7.9**	9.6
At end of year	**51.7**	43.8
Comprising:		
Non-current investments – Investments in subsidiaries valued at cost less impairment	**51.7**	43.8

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 Ltd.	UK[1]	Unit trust management	100%	100%
FundsLibrary Limited (previously Library Information Services Limited)	UK[1]	Data provider	78%	78%
Hargreaves Lansdown Stockbrokers Ltd	UK[1]	Trading company*	100%	100%
Hargreaves Lansdown (Nominees) Limited (100% shares held by Hargreaves Lansdown Asset Management Limited)	UK[1]	Nominee services	100%	100%
Hargreaves Lansdown Insurance Brokers Limited	UK[1]	Dormant company*	100%	100%
Hargreaves Lansdown Investment Management Limited (100% shares held by Hargreaves Lansdown Fund Managers Ltd)	UK[1]	Dormant company*	100%	100%
Hargreaves Lansdown Savings 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]	Nominee services*	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]	Trustee of the HL SIPP*	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: Pl. Europejski 1, Warsaw, 00-844, Poland.

Notes to the Company financial statements

6.5 Trade and other receivables

	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Financial assets		
Amounts receivable from subsidiaries and EBT	**26.6**	39.9
Term deposits	**215.0**	207.0
	241.6	246.9
Non-financial assets		
Prepayments	**0.7**	0.8
	242.3	247.7

6.6 Cash and cash equivalents

	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Cash and cash equivalents		
Company cash and cash equivalent balances	**22.5**	15.2

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 2019 £m	Year ended 30 June 2018 £m
Financial liabilities		
Amounts payable to subsidiaries	**39.1**	45.0
Other payables	**2.1**	0.1
	41.2	45.1
Non-financial liabilities		
Deferred income and accruals	**2.0**	0.1
	43.2	45.2

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.

6.8 Notes to the company statement of cash flows

	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Profit for the year after tax	**199.4**	199.2
Adjustments for:		
Income tax credit	**(1.1)**	–
Operating cash flows before movements in working capital	**198.3**	199.2
Decrease in trade receivables	**13.5**	30.5
(Decrease) / increase in trade payables	**(2.0)**	12.6
Cash generated from operations	**209.8**	242.3

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 2018 and 2019 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 2018 and 2019 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. These are the only staff costs incurred by the Company in the year.

The Company has two employees (2018: two), being the Executive Directors.

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 2019 £m	Year ended 30 June 2018 £m
Dividends received from subsidiaries	**204.0**	199.0
Management charges to subsidiaries	**0.7**	0.7
Capital contribution to subsidiaries	**7.9**	9.6
Amounts owed by related parties at 30 June	**26.6**	39.9
Amounts owed to related parties at 30 June	**39.1**	45.0

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.

Notes to the Company financial statements

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 130.

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 considered 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 2019 £m	At 30 June 2018 £m
Loans and receivables at amortised cost		
Cash and cash equivalents	**22.5**	15.2
Included within trade and other receivables:		
Term deposits	**215.0**	207.0
Amounts receivable from subsidiaries and EBT	**26.6**	39.9
	264.1	262.1

OTHER INFORMATION

Directors, Company Secretary, Advisers and Shareholder Information

Executive Directors
Chris Hill
Philip Johnson

Non-Executive Directors
Deanna Oppenheimer
Fiona Clutterbuck
Shirley Garrood
Dan Olley
Roger Perkin
Stephen Robertson
Jayne Styles

Company Secretary
Alison Zobel

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

	2019 £m	2018 £m	2017 £m	2016 £m	2015 £m
Gross revenue	**480.5**	**447.6**	**385.7**	**388.3**	**395.1**
Commission payable/loyalty bonus	–	(0.1)	(0.1)	(61.8)	(100.9)
Net revenue[1]	**480.5**	**447.5**	**385.6**	**326.5**	**294.2**
Fair value gains on derivatives	2.2	2.3	2.2	0.0	0.0
Operating costs	(179.4)	(158.7)	(126.7)	(108.2)	(96.1)
Operating profit	**303.3**	**291.1**	**261.1**	**218.3**	**198.1**
Finance income	2.8	1.5	1.2	0.6	1.0
Finance costs	(0.3)	(0.2)	–	–	–
Other gains	–	–	3.5	–	–
Profit before tax	**305.8**	**292.4**	**265.8**	**218.9**	**199.1**
Tax	(58.2)	(55.7)	(53.8)	(41.6)	(41.8)
Profit after tax	**247.6**	**236.7**	**212.0**	**177.3**	**157.3**
Non-controlling interests	(0.2)	(0.4)	(0.3)	(0.4)	(0.6)
Profit for the financial year attributable to owners of the parent company	247.4	235.3	211.7	176.9	156.7
Equity shareholders' funds	457.6	404.0	306.9	253.7	236.6
Weighted average number of shares for the purposes of diluted EPS (million)	**475.76**	**475.41**	**474.73**	**474.72**	**473.72**

	Pence	Pence	Pence	Pence	Pence
Equity dividends per share paid during year	40.2	30.5	34.8	33.5	32.3
Basic earnings per share	52.1	49.7	44.7	37.4	33.2
Diluted earnings per share	52.0	49.6	44.6	37.3	33.1

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 profit margin	Profits after deducting operating costs but before 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.
Percentage of recurring 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 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.
Revenue margin (bps)	Total 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.
Revenue margin from cash (bps)	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.
Revenue margin from funds (bps)	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.
Revenue margin from HL Funds (bps)	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.
Revenue margin from shares (bps)	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.

Measure	Calculation	Why we use this measure
Recurring revenue	Revenue that is received every month depending on the value of assets held on the platform, including platform fees, 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

CSDR Central Securities Depositories Regulation

D

D2C Direct to Consumer

Diluted EPS Diluted earnings per share

DR Disaster Recovery

DTR The FCA's Disclosure Guidance and Transparency Rules sourcebook

DWP Department of Work and Pensions

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

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

Material Risk Takers persons identified as meeting the criteria of "material riks takers" as set out in the European Banking Authority regulatory technical standard and consequently subject to the requirements of the Remuneration Code.

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 information on a 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

SREP The FCA's supervisory review and evaluation process

T

Treating clients fairly A central concept to the FCA'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 published by the FRC which 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

W50 Wealth 50, which is our selection of the best funds available to UK investors

Y

Year end/financial year Our financial year starts on 1 July and ends on 30 June

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