Empowering people to save and invest with confidence

HARGREAVES LANSDOWN

Hargreaves Lansdown is the UK's largest direct to investor investment service administering £79 billion of investments for over 950,000 clients.

Our purpose is to empower people to save and invest with confidence. We aim to provide a lifelong, secure home for people's savings and investments that offers great value, an incredible service and makes their financial life easy.

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2017 highlights

2017 has been a successful year for Hargreaves Lansdown with record net new business and profits, alongside maintaining our usual high client service levels. The delivery of the new mobile app, the launch of our own equity funds and the Lifetime ISA are all examples of how we continue to deliver solutions to our clients and ensure they receive a great overall service.

Clients

954,000

954,000 active clients, up 118,000 in the year (2016: 836,000, up 100,000)
Net Promoter Score℠ of 60.5[1] (2016: 54.7)
Client satisfaction survey 95.4%[2] (2016: 95.1%)

Growth

£6.9 billion

Net new business inflows of £6.9 billion (2016: £6.0bn)
Assets under administration up 28% to £79.2 billion (2016: £61.7bn)

Financial

44.6 pence

Diluted earnings per share of 44.6p, up 20% (2016:37.3p)
Net revenue £385.6 million, up 18% (2016: £326.5m)
Profit before tax £265.8 million, up 21% (2016: £218.9m)

When reviewing performance the Directors use a number of alternative performance measures which are explained on page 144 followed by a glossary of terms used in this report.

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

Chris Hill
Chief Executive Officer

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1 Net Promoter 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.
2 Based on May 2017 client survey of 14,674 respondents where service was voted as good, very good or excellent.

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Lift off

Our Junior Stocks & Shares ISA is one of the most popular on the market.

Junior ISA

We offer an easy-to-manage tax-efficient way to save up to £4,128 for a child's future this tax year.

Junior ISAs are opened by a parent or legal guardian, but then any parent, grandparent, friend or relative can make a subscription.

This allows wealth to begin to be transferred between generations and can be used for a number of different purposes, such as saving towards a child's university fees or a deposit on their first home.

Hargreaves Lansdown has over 80,000 Junior ISA clients with £567 million of AUA. These assets are invested across the wide range of funds and shares we offer on our platform.

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

Chairman's statement

> Hargreaves Lansdown's success is built around providing exceptional service and great value to our clients.

Empowering our clients to save and invest with confidence is why we are in business, and I am pleased to report that we have delivered record levels of net new business and profits this year alongside maintaining our usual high client service standards.

The Board recognises the importance of developing a team which contains the best talent in the industry. We have overseen a transition to new executive leadership this year and I am encouraged by the energy and commitment they bring to making our business even better in the future. This is my last Annual Report as Chairman and I am confident that I am leaving a business that is well positioned for our next phase of growth.

Overview of the year

Our year commenced in the shadow of the surprise EU referendum result, which led to market volatility, uncertainty, which still remains, and consequent weak investor confidence. As a result, asset gathering in the first half was adversely impacted. The business responded positively to this challenge in the second half, bringing innovative fund propositions to our client base, launching our new mobile app, running successful digital and transfer mailing campaigns and maintaining our client service levels through a busy tax year end. This resulted in £6.9 billion of net new business for the full year, testament to the strength of our offering, brand and market position.

This flow of new business combined with significant market growth to drive AUA to nearly £80 billion as at 30 June 2017. While we have continued to invest part of the resultant revenue increase in our business to support growth, client service and broadening our offering, we were still able to deliver 21% growth in profit before tax to £265.8 million.

Board changes

It has been a busy year for changes to our Board and Executive Committee. As announced last year, Ian Gorham decided to step down as CEO and this took effect from 9 February 2017. The Board thanks Ian for his outstanding contribution to Hargreaves Lansdown. Ian was replaced by Chris Hill who initially joined as CFO in February 2016, before becoming deputy CEO in September 2016. His appointment followed a full assessment undertaken by the Nomination Committee. In turn, this led to the need for a new CFO. Following an extensive search and rigorous assessment process, we were delighted that Philip Johnson joined in February 2017 and, after receiving regulatory approval, was appointed to the Board in April 2017. Philip brings considerable experience as a plc CFO and expertise from across the financial services industry. Together I believe Chris and Philip are a great combination to lead the business into its next phase of growth.

I am always impressed by the range of dedicated and talented people I find across our business. In February, we promoted Heather Cooper, our Chief People Officer, to the Executive Committee, recognising how our people are integral to our future success.

In May 2017, I announced my intention to stand down as Chairman once a suitable replacement had been appointed. The search process is well underway. We have recommended the appointment of two new Non-Executive Directors who will be appointed as soon as regulatory approval is received. This will ensure that we have an appropriate range of skills and experience on the Board going forward.

Remuneration

At Hargreaves Lansdown, we strive to attract and retain people who create value for both our clients and shareholders. Over the past year, we have listened to the external debate on the structure of executive remuneration, consulted with our shareholders and responded thoughtfully to their concerns. We are now proposing a revised remuneration policy which we believe strikes an appropriate balance between these factors and what is right for our organisation. This is explained fully in the Directors' remuneration report and I hope you will be supportive of these changes at our upcoming AGM.

Dividend

Hargreaves Lansdown is regulated by the Financial Conduct Authority (FCA). On 3 August 2017, the FCA notified the Group that it intends to reassess its regulatory capital requirements given the Group's strong recent growth in scale and complexity. The revised assessment means we had to retain an additional £50m of capital to ensure the Group's regulatory capital surplus during 2018 is sufficient. As a result, on 4 August 2017, the Group clarified its dividend policy and announced it would not pay a special dividend for the financial year ended 30 June 2017. Further details on our liquidity and capital management approach are contained in the Operating and financial review.

In line with our policy and the notification from the FCA, the Group is today declaring a final dividend of 20.4p per share. Following the interim dividend of 8.6p pence per share which was paid in March, this takes the total ordinary dividend for the year to 29.0 pence per share, an increase of 20% over 2016. This generates a total ordinary dividend payout ratio of 65% for the financial year ended 30 June 2017. The 2017 total dividend of 29.0p (2016 34.0p) per share is down by 15% reflecting our decision not to pay a special dividend this year.

I am disappointed with this outcome on your behalf. The Group was already well capitalised, and we are now even more so. However, the Board retains a commitment to paying special dividends in the future and I am confident that Hargreaves Lansdown continues to have sufficient liquidity and capital to execute its strategy without further constraints.

Conclusion

It has been a real privilege to have served as your Chairman for the past eight years. I am incredibly proud of how the Group has evolved into a FTSE 100 organisation over this period and firmly established itself as the UK's leading retail savings and investments platform. I would like to thank all those I have worked with here, both past and present, and wish them and the business well in the future.

Mike Evans
Chairman

14 August 2017

Hargreaves Lansdown at a glance

Empowering people to save and invest with confidence

Our vision is to be a household name

We want to be the best place for savers and investors in the UK. When individuals want to save and invest they will think of Hargreaves Lansdown as the best place to go, to make it happen.

Our values put the client at the heart of everything we do

Hargreaves Lansdown has a strong culture focused around our clients. This is reflected in our values:

- Put the client first
- Do the right thing
- Do it better
- Make it easy
- Go the extra mile

Our purpose

Empowering people to save and invest with confidence

Our offering

A lifelong, secure home for people's savings and investments, that offers great value, an incredible service and makes their financial life easy.

Key inputs

Our platform
Our people
Our technology
Our marketing

Empowering people to save and invest with confidence

We will achieve this through delivering exceptional client service and offering five core attributes:

- We see the opportunity to create lifelong relationships with clients by being a one-stop investment service to manage their savings and investments;
- We understand that our clients want us to provide a safe and secure service to look after their assets. We will maintain our strong financial position and provide capacity to manage their growth;
- We price our services competitively for great value. We promote clear and fair prices and use our scale to obtain and provide better deals for clients;
- We will ensure we provide clients with an incredible service making the best use of information and technology to offer access to the investments that our clients want; and
- We will make it easy and efficient for our clients to manage their savings and investments by offering a multi-channel service.

Key to delivering our offering is our platform, our people, our technology and our marketing.

Our platform	We provide a platform through which clients can buy, hold and sell their investments within tax efficient wrappers such as individual savings accounts (ISAs) and self-invested personal pensions (SIPPs), or Fund & Share accounts. We act as an intermediary between our clients and the fund managers or registrars of investments and can also provide advice.
Our people	Our people lie at the centre of Hargreaves Lansdown, ensuring we deliver on our values. They develop and implement our strategy and deliver our products and services.
Our technology	The platform uses our own proprietary systems. This allows us to offer our products and services in a nimble and efficient manner. We are well positioned to respond to opportunities and develop our service to deliver our promise to clients.
Our 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 our lifelong relationship.

Market outlook

We are well positioned to benefit from demographic trends in an attractive market

Market background

Investors in the UK have differing degrees 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. Whether to navigate the complexities or empower them with confidence to begin investing, there is a demand for new and improved products and solutions to help them secure their future aspirations.

Investing for the future is clearly not something the UK is engaging well with given that the UK savings ratio has plunged to an all-time low of 1.7% (as per Office for National Statistics (ONS) 30 June 2017). The UK savings gap, being the gap between retirement expectations and the cost of funding such expectations, is estimated at £314[1] billion. The level of funding necessary to provide retirement income is increasing, driven by longer life expectancies, less generous company and state pensions and ambitious retirement expectations. The burden of responsibility for retirement is shifting from government and corporates to the individual. Cost effective advice is increasingly difficult to obtain in the post-Retail Distribution Review environment. However, with successive UK governments tinkering with pension savings, the introduction of various ISA products, persistent low interest rates, and a reduction in the number of financial advisers, finding the right solution for your investment needs is arguably more complex than ever.

As a nation we need to develop a stronger culture of saving and investing. Hargreaves Lansdown is well placed with its expertise and expanding capabilities to help existing and new clients navigate through the minefield of complexity, providing appropriate products and solutions for the young through to those at and in retirement. Hargreaves Lansdown firmly believes that government has a role to play through improving financial education, addressing the savings gap and by empowering companies like us through proportionate regulation to help provide the solutions and education.

Addressable market

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 given the range of client offering we have. Such consolidation of investments on to platforms has driven the UK D2C platform market to £190 billion, of which Hargreaves Lansdown has a 37.8% market share[1].

The UK private wealth market, however, is estimated as c£1.6 trillion, of which we see c£1.1 trillion as addressable, giving an implied market share for Hargreaves Lansdown of c7%. Outside the direct platform 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. This provides a rich source of potential transfers to Hargreaves Lansdown as clients look to consolidate all their investments on to our platform.

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

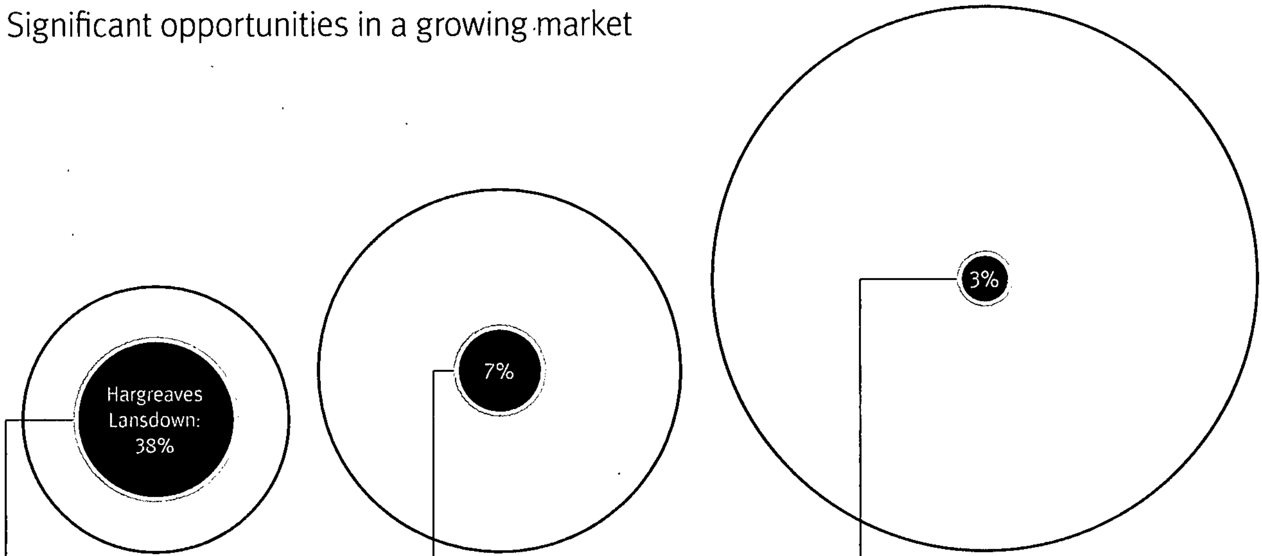
Identification of relevant market segments

Segment	Population size (10 year growth)	Private investment pool growth trajectory
85+	**0.2m** +35%	£25-45bn
75-84 Retired	**0.9m** +38%	£170-180bn
65-74 Retiring	**1.5m** +8%	£335-355bn
55-64 Pre-retirement	**1.6m** +18%	£350-370bn
35-54 Peak savers	**1.9m** +2%	£208-225bn
25-34 Young professionals	**0.5m** -1%	£5-25bn

Platforum also estimate that £24 billion[2] is held directly with fund managers. Again this can provide a source of transfers in to Vantage or an opportunity to acquire the entire direct back books from fund management groups. In previous years, acquisitions have been made from Jupiter, JPMorgan, Legg Mason and, more recently, in July we announced a deal to acquire up to £90 million and 4,300 clients from BlackRock. We will continue to pursue similar deals as they arise.

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

Significant opportunities in a growing market



D2C platform market

£190 billion

The execution-only market has £190 billion of assets. Hargreaves Lansdown has a 38% market share.

Private wealth market

£1.1 trillion

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

Private wealth + cash market

£2.4 trillion

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

The size of the private wealth market provides significant opportunity for transfers onto our platform. Transfers come from across the market spectrum, showing our appeal to clients who currently hold assets elsewhere. Many existing clients look to transfer and consolidate their investments in one easy to manage place, while for new clients the opening of an account and a subsequent transfer may be triggered through a desire to have a more modern and superior service. With 44% of UK investors now claiming to deal with their investments themselves, up from 29% in late 2013[2], there should be continued impetus in the growth of the execution-only market.

Market development

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. The current ISA allowance was raised from £15,240 to £20,000 for the tax year commencing 6 April 2017. For some clients this provides additional scope for tax efficient investing, particularly for higher earners who stand to lose some of their annual pension allowance and are impacted by the lower lifetime allowances. With the threat of further tinkering to the pension rules, the ISA increasingly becomes a long-term investment plan for many and hence provides a significant opportunity for new business flows. According to HMRC, the Stocks and Shares ISA market is estimated at £267 billion with an additional £251 billion held in Cash ISAs. Based on recent HMRC data the average annual amount subscribed into ISAs over the past three tax years has been c£73 billion. These statistics clearly demonstrate the significant opportunity to gather more assets into our core ISA products.

Market outlook

The design of the UK's retirement savings system continues to be a work in progress for the government.

On 6 April 2017, the new 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. Our LISA launched just after midnight on 6 April 2017 and we opened our first one within two minutes.

By 30 June 2017, we had seen 14,550 accounts opened with £36 million of invested assets. Half of these clients were new to Hargreaves Lansdown. 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.

Pension auto-enrolment in the UK has continued with more than eight million having now been enrolled into a workplace pension with both employee and employer contributions being made. Escalating minimum contributions have been set so that by 6 April 2019 the minimum contribution will be 9% of which the employer will have to pay a minimum of 4%. The workplace will continue to play a pivotal role in retirement saving. The auto-enrolment programme has delivered demonstrable successes and we expect future government policy to build on this. Our Corporate Vantage service is directed at segments of this market and existing schemes we administer will also benefit from auto-enrolment contributions.

The design of the UK's retirement savings system continues to be a work in progress for the government. Auto-enrolment is undoubtedly helping and has brought millions of new savers into the pension system. However, many millions are still either under-saving for retirement or not saving at all. The growth of money purchase pensions is mirrored by a rapid decline in traditional defined benefit schemes.

Two years on from the launch of Pension Freedoms, this policy initiative to put ownership of pension savings more directly in the hands of individual investors is proving popular and has helped to reinvigorate interest in retirement savings. The Treasury's review of pension tax relief did not result in wholesale change to pension tax breaks, however, future changes cannot be ruled out.

Whatever changes in detail occur, we are confident that government support for increased private pension provision is robust and this is likely to mean continued tax advantages and policy decisions designed to promote increased retirement saving. With individuals taking more responsibility for pension saving, we believe pension providers such as Hargreaves Lansdown, which help investors to self-manage their retirement savings, are likely to continue to prosper.

Demographics and longevity alone will provide growth drivers in the key segments but if the UK savings gap can be better addressed then further impetus could be had, particularly in the younger 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.

Alongside risk-based investments, investors continue to hold cash despite persistent low interest rates on cash savings. Our research shows that there is a further £1.3 trillion of cash held in the UK. Adding a solution for managing cash savings will therefore greatly increase our addressable market and hence why we have been developing 'Active Savings' our digital deposit service.

Competition

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

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

Regulation

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

I didn't realise how simple a Stocks & Shares ISA was

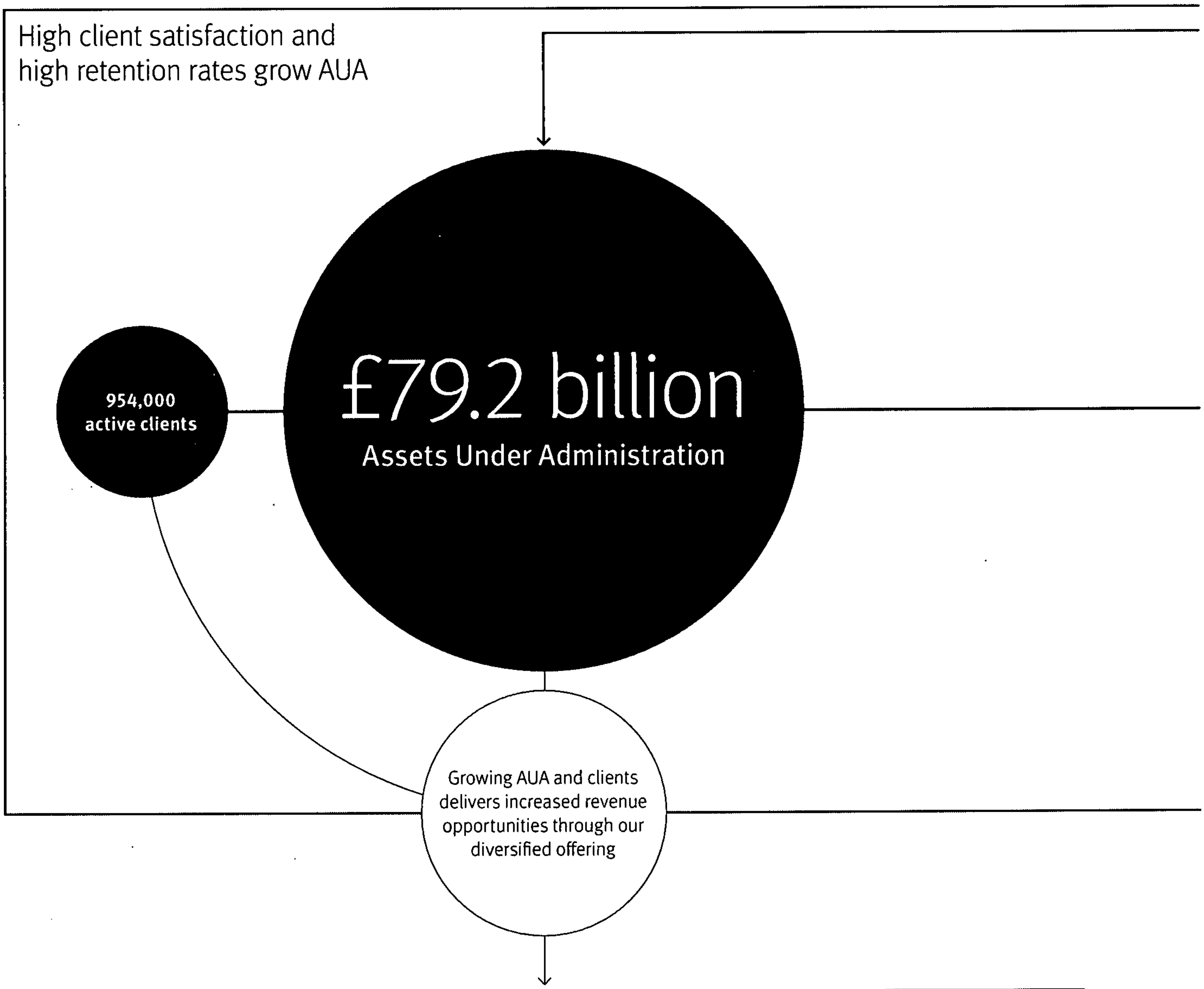
Mr Andrews from Essex

"I opened my Stocks & Shares ISA around a year ago. Previously I'd used Cash ISAs, but my fixed rate deal was coming to an end. With interest rates so low I felt that investing in funds would be better.

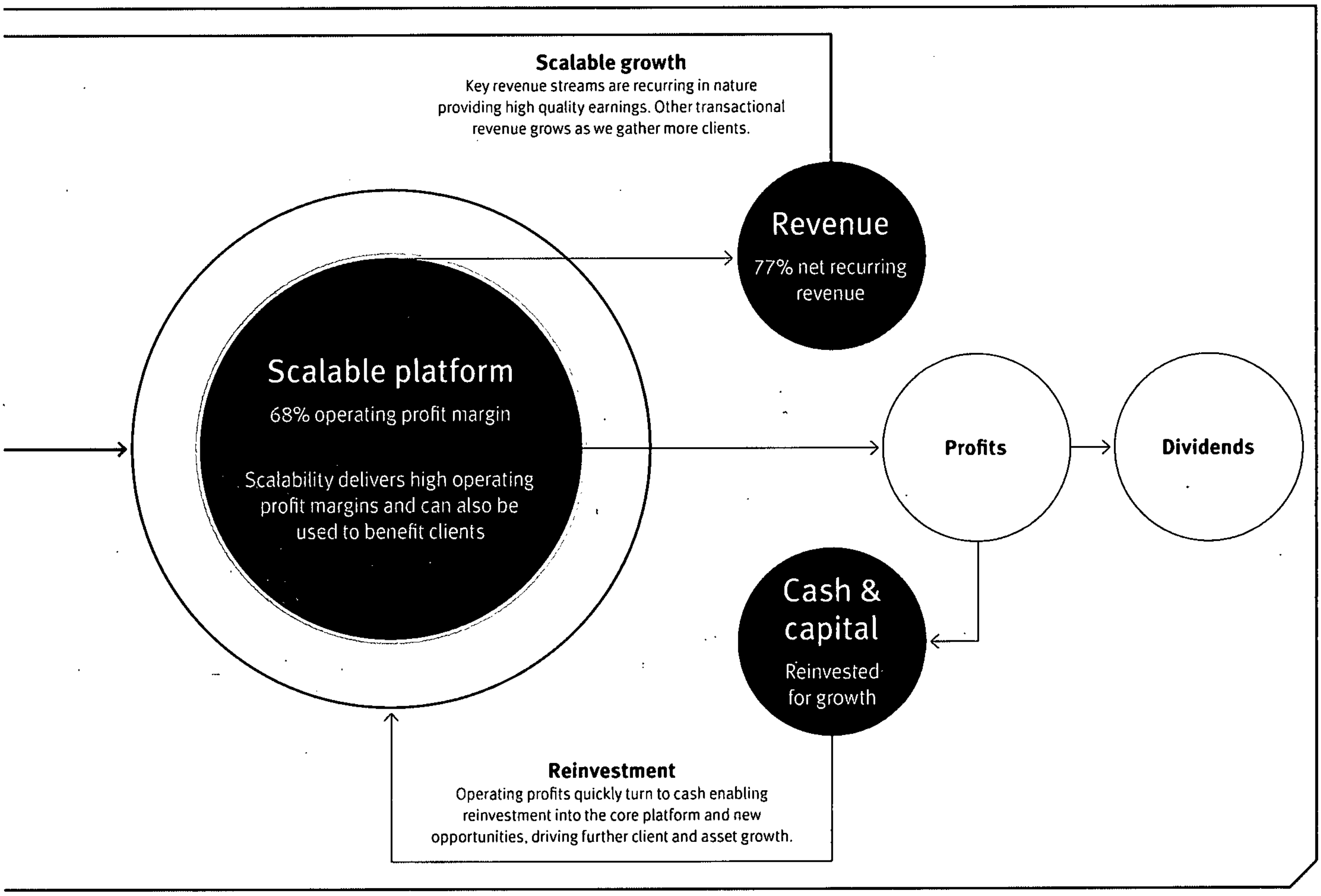
My dad is a Hargreaves Lansdown client and he suggested I take a look at your website. I was very impressed with the quality of the website and the information available. To be honest I didn't realise how simple a Stocks & Shares ISA was and how easy it is to invest through you.

Since opening my ISA my wife and I have both transferred Cash ISAs over to Hargreaves Lansdown and invested in stocks and shares. Just like opening my ISA, the transfer process was really easy and there's a handy indicator available in your online account which keeps you updated with the progress of the transfer. I've been impressed by the simplicity of it all."

How we create value



ISAs More than 660,000 accounts £31 billion+ AUA	**SIPP** More than 320,000 accounts £26 billion+ AUA	**Fund & Share** More than 300,000 accounts £20 billion+ AUA	**Stockbroking** UK's No. 1 30% market share
HL Fund Manager 10 Multi-Manager funds 2 Equity funds, £8.8 billion AUA	**Junior ISA** UK's No. 1 provider 81,000+ accounts	**Lifetime ISA** First to launch on 6 April 2017 14,550+ clients	**Corporate Vantage** 387 schemes 82,000 members £2.5 billion AUA
Portfolio+ Ready-made investing managed by experts, £682 million AUA	**Portfolio Management Service** Our discretionary managed solution, £3.5 billion AUA	**HL Active Savings** Cash management service – in development	**Other services** Annuities, foreign currency service, VCTs, certificated share dealing



Revenues
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. By attracting net new business and providing incredible service we are well positioned to grow revenues across the market cycle.

Scalable platform
We operate a single platform across our entire client base, allowing us to support our growing business while maintaining client service levels. We are continually investing in this platform to enhance its robustness, security and efficiency. This approach has allowed us to generate industry leading operating margins of 68%.

We look to use this scale and market position to benefit our clients. It allows us to invest in extending our offering and capabilities while ensuring we maintain service levels to our desired standard. It also allows us to secure attractive fund discounts, competitive share dealing and access to a broad range of fund launches and retail IPOs.

Use of profits
We generate an attractive stream of profits which convert almost entirely into cash. Our use of profits is determined by our dividend policy, which takes account of market conditions and the Group's growth, investment and regulatory capital requirements at the time. Although the Board retains the flexibility to change how we deploy profits, we have consistently returned a high proportion of profits to shareholders via dividends.

Strategy in action

We use key performance indicators (KPIs) to measure the progress and the success of our strategy implementation.

Strategy	KPI	Why
Client experience	**Client retention rate** Based on the monthly lost Vantage clients as a percentage of the opening months Vantage clients and averaging for the year.	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.
	Net Promoter Score℠ Based on May 2017 and May 2016 client surveys of 14,674 and 11,537 respondents respectively, using the Net Promoter Score methodology. The survey covered Hargreaves Lansdown clients only.	This measures the willingness of existing clients to recommend the services of Hargreaves Lansdown to others. It provides a measure of our clients' overall satisfaction and loyalty to the brand. A high score will have a positive effect on gathering more clients, particularly friends and family and hence AUA.
	Average accounts per client Average numbers of active accounts held per client and averaging for the year.	Provides an indicator of how widely our clients are using Hargreaves Lansdown throughout their financial life.
	Website visits	Provides a view of the engagement and reach that Hargreaves Lansdown has with its digital footprint.
Growth in assets and clients	**Net new business** Represents subscriptions, cash receipts, cash and stock transfers in less withdrawals and assets transferred out.	Net new business is an indicator of the trust and security clients place in Hargreaves Lansdown along with the perceived value of the client offering. The greater the assets gathered the greater the revenue.
	Net new clients Represents the change in number of active clients between the opening and closing position for the year (unique number of clients holding at least one PMS or Vantage account with a value over £100 at the year end).	The greater the number of new clients, the better the potential for growing AUA.
Financial growth	**Profit before tax (PBT)**	Gathering and retaining assets and clients drives revenue. This is managed on a scalable platform to deliver improved operating profits.
	Diluted earnings per share	This is a measure of profit per share and is a metric used to determine value delivered to shareholders.

Progress in the year	Result	Principal risks
• Negotiated further discounts with fund management groups. Discounts on the Wealth 150 are on average 14bps. • New mobile phone app launched in February 2017. • Lifetime ISA launched on 6 April 2017. • Launched two of our own HL Select Funds.	94.7% ↑ (2016: 94.3%)	Strategic change, conduct, regulatory, disruption to business, client security
• Our website continues to be a service element that our clients like most. The launch of our new app has been positively received and reinforces this. Our helpdesk and reputation are other areas that are highly rated. The Net Promoter Score has increased during the year to new highs.	60.5% ↑ (2016: 54.7%)	Strategic change, conduct, regulatory, disruption to business, client security
• We launched the Lifetime ISA on 6 April 2017. • Increased numbers of clients opening Income Drawdown accounts. • We continue to win Corporate Vantage schemes and hence new individual clients which we can actively market other accounts to. • We delivered a proof of concept in January 2017 for Active Savings and continue to prepare for a phased launch in late 2017.	1.3 ↔ (2016: 1.3)	Strategic change, regulatory
• Launch of our new mobile phone app which has had over 486,000 downloads. Visits to our website from mobiles and tablets have now overtaken those via personal computers.	138m ↑ (2016: 106m)	Strategic change, regulatory
• A record net new business of £6.9 billion, increased market share and AUA grew 28% to £79.2 billion.	£6.9bn ↑ (2016: £6.0bn)	Strategic change, economic uncertainty, conduct, regulatory, disruption to business, client security
• Launch of the Lifetime ISA. • New expertise added in digital marketing to understand and serve our clients better. • New Corporate Vantage schemes and members added.	118,000 ↑ (2016: 100,000)	Strategic change, conduct, regulatory, disruption to business, client security
• PBT grew 21% on the back of a strong operating performance and a £3.7 million gain on our legacy investment in Euroclear plc.	£265.8m ↑ (2016: £218.9m)	Strategic change, conduct, regulatory, prudential, market, interest rates
• The growth in diluted EPS was driven by the scalability of the business model and continued strategic execution.	44.6p ↑ (2016: 37.3p)	Strategic change, conduct, regulatory, prudential, market, interest rates

Chief Executive Officer's review

I am delighted to introduce my first Chief Executive's review. I am proud to be leading a business that has clients at the heart of how it operates. We are a market leader, looking after the wealth of nearly a million individuals; a huge responsibility at a time when people need more help than ever in managing their savings and investments. We take this responsibility very seriously. Our expertise and client service are well respected and I believe the strength and scale of our business means we can continue to develop its offering to the benefit of all our stakeholders in the future.

2017 highlights
It was a busy year at Hargreaves Lansdown, providing us with a strong foundation on which to build future growth. We have broadened our offering, adding products such as the Lifetime ISA and two new HL Select funds, launched our new mobile apps, increased our digital marketing presence and continued to grow our execution-only stockbroking market share. We added record net new business (NNB) of £6.9 billion, introduced 118,000 net new active clients to our services and grew our active client base by a further 14% to 954,000. All achieved while maintaining our client service at the high standards to which we aspire to.

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

118,000 net new active clients

The importance of offering a wide range of services to clients was made clear during 2017. Brexit proved a drag on investor confidence and NNB in the first part of the year, although we still increased our market share and grew assets faster than the UK D2C platform market. However, we also saw a significant uplift in client share trading and associated revenues which carried on throughout the year. This resulted in our execution-only stockbroking market share increasing from 26.9% to 30.1%[1], reflecting our competitive charges and user-friendly proposition.

In the second half of the year, improved investor confidence allied with bringing selected fund launches such as CF Woodford Income Focus, the increased ISA allowance and targeted transfer campaigns saw NNB accelerate. Strong flows and supportive markets saw Assets Under Administration (AUA) increase 28% to £79.2 billion. This drove revenue growth of 18% and, despite selective investment to support both higher client activity levels and our growth ambitions, we increased profit before tax by 21% to £265.8 million. It was disappointing that we had to announce on 4 August that we could not pay a special dividend for the 2017 financial year from these profits, but we have had a very strong year and are well positioned to deliver future value for our shareholders.

1 Source: Compeer Limited XO Quarterly Benchmarking Report Quarter 2 2016 and Quarter 2 2017.

One of the first companies to launch the Lifetime ISA

Developing our client offering

We continually look to enhance the offering that we provide to clients, and 2017 was no exception. Having identified that clients wanted to trade shares more, we also established that, for some people, their levels of confidence in doing so were low. Consequently we developed two equity funds: the HL Select UK Growth Shares fund and HL Select UK Income Shares fund. The innovation was to increase the communication and engagement with participating clients, allowing them to gain insight into the management of a share portfolio. As at the end of the year, £525 million was invested in these funds. We were also one of the first to launch the Lifetime ISA (LISA). Having been uncertain as to demand for this, we surveyed our clients, determined there was real interest and went live just after midnight on 6 April 2017. We now have 14,550 LISA clients with £36 million of invested assets, with half of these clients being new to the business. I am always impressed at how Hargreaves Lansdown listens to its clients and pulls together to provide solutions that help.

Our desire to bring market leading propositions to our clients is critical to our ongoing success. We remain excited by the potential of Active Savings, our upcoming cash management service and we are targeting a live proposition which is ready to launch around the end of the year. This has taken longer to launch than originally anticipated due to the significant technology development required. This is essential as we are determined that Active Savings must deliver the same levels of client service as our existing offering. This year we took the tough decision to drop our plans to set up a peer-to-peer lending platform. Peer-to-peer is an interesting area and we can see the attraction to selected investors, however, the market size remains relatively small compared to the other exciting opportunities we have in front of us.

We have seen a significant increase in client activity this year. The number of calls, applications, transfers, trades and other client instructions have all increased and we have continued to invest in the resources to maintain client satisfaction with their experience. Our IT is scalable and has coped well with the events of the last year, including the general election. Our client and asset retention levels remain high at 94.7% and 93.2% respectively and it is pleasing that our Net Promoter Score[SM 2] is at an all-time high. We continue to strive to provide an incredible level of client service in all that we do.

Net new business

£6.9 billion

Expanding our digital footprint is a key strategic drive: we received 138.4 million digital visits for the year to June 2017 (up 31% on last year). An important enhancement this year was the launch of our new mobile app in February. Mobile functionality is no longer an optional extra, it is essential for people who want to manage their investments. The app has been well received and we are getting great feedback from users. We have now had over 486,000 downloads, and the additional functionality that enables clients to place cash with us has resulted in £72 million being added to the Vantage platform. The introduction of Touch ID as a means to login has also seen a change in client behaviour with more frequent engagement with their investments. As a result, we now see more digital contact from mobile devices and app visits than through our traditional desktop site.

With all of this in mind, I want to recognise the hard work and commitment of my colleagues throughout the business and thank them. They have strived this year to deliver incredible service to clients in the face of significant increases in activity and have also managed to develop the range and extent of the services we provide.

Delivering our strategy

As the new Chief Executive, my challenge is to drive the next phase of Hargreaves Lansdown's growth. Our vision is to be a household name and the best place for savers and investors in the UK. This means investment in our people, marketing and technology as Hargreaves Lansdown continues to grow and add clients. During the year, we deepened our people focus with work on leadership and development, our reward structure, culture and succession planning. We have worked hard to build on feedback from our colleague survey and improve engagement. We have also commenced a broader initiative to bring our values, the enthusiasm for client service and pride in working for Hargreaves Lansdown to the heart of how people work here.

We have a leading brand and reputation in marketing. In 2017, we have particularly been looking at how we use digital marketing and client segmentation to improve the effectiveness of spend across our channels. We believe these are sources of competitive advantage and will continue to invest in them where we can see the benefit come through. We have also reviewed our marketing team and restructured it to focus more actively in these areas, concluding that we will expand it to embrace the opportunities that new technology brings.

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

Chief Executive Officer's review

Effective investment in technology is also key. In February, we took the decision to set up HL Tech in Warsaw, Poland to leverage the considerable IT development talent located there. Our aim is to have 50 developers up and running during 2018, enabling us to push forward with improvements and developments to our services at a faster pace. Equally, businesses must ensure that they have resources allocated to, and continually adapting their response to cyber attack, and we continue to invest heavily here. Ensuring the security of our clients' assets is the most important thing we do.

Looking forward

I am pleased that we have delivered strong 2017 results in an environment where the UK has many challenges. Global politics are unsettled, our position with Europe in a state of flux and markets continue to be uncertain. Unfortunately, this state of affairs is set to continue for a while yet. At the same time, society is going through long-term changes in demographics meaning that people are older for longer. Pension arrangements are moving from defined benefit to defined contributions, where individuals must take responsibility for managing their financial future, and over a longer period. People are not making sufficient provision for this so the country has a long-term savings gap of an estimated £314 billion[3].

Offering great value and an incredible service

At a time where people need to be taking greater involvement with their finances, pensions and savings are increasingly more complicated. The advent of pension freedoms, the challenges of drawdown, the complexity of lifetime and annual allowance pension caps, new dividend and savings tax structures and six different forms of ISA have all made it more difficult. People need help.

Our purpose is to empower people to save and invest with confidence. We achieve this by continuing to place our clients at the centre of what we do: offering them great value, incredible service, making it easy and efficient for them to manage their savings and investments in a secure environment, and establishing a lifelong relationship with them as a partner. 44% of UK investors now claim to deal with their investments themselves, up from 29% in late 2013[4]. This is a significant opportunity for Hargreaves Lansdown. We might have a 38% share of the execution-only D2C platform market but in the wider accessible investment market of over £1.1 trillion, in which we already operate, we have a much smaller share and an even smaller share of the relevant £2.4 trillion savings and investment pool. Our scale combined with our expertise and capabilities places us in pole position to be able to provide this help.

Chris Hill
Chief Executive Officer

14 August 2017

3 "Mind the Gap" (Aviva and Deloitte, September 16).
4 Source: Platforum UK D2C Guide (July 2017).

Operating and financial review

"Strong net new business, asset and profit growth."

In the current period, consideration has been given to the nature of the operating segments previously disclosed and it is the view of the Board and of the Executive Committee that there is in fact only one segment, being the Group. The disclosure provided below, whereby the whole business is reported as one unit, reflects how the Group is managed in practice and we intend to report on this basis going forward.

Assets Under Administration (AUA) and net new business (NNB)

	Year ended 30 June 2017 £bn	Year ended 30 June 2016 £bn
Opening AUA	**61.7**	55.2
Net new business	**6.9**	6.0
Market growth and other	**10.6**	0.5
Closing AUA	**79.2**	61.7

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

Net new business for the year totalled £6.9 billion. This was a strong result given first half NNB was held back during a period of low investor confidence after the UK's vote to leave the European Union on 23 June 2016. However, with hindsight, these flows were a good outcome against the wider environment as we maintained our platform market share and increased our stockbroking market share over this period.

The second half of the year is typically our busiest as the tax year end is an important driver of new business. This year was no exception, with NNB rebounding to new highs. This was driven by a recovery in investor confidence ahead of the tax year end and a number of self-help initiatives. These included new products such as the latest Woodford fund launch, two new HL Select UK funds, and the introduction of the Lifetime ISA and the increased ISA allowance from 6 April 2017. The Group's flows have also benefited from its increased digital marketing presence, including the launch of our new mobile app, and ongoing transfer activity as our clients continue to consolidate their wealth onto our platform. We introduced 118,000 net new clients to our services in the year to 30 June 2017 and grew our active client base by a further 14% to 954,000.

Operating and financial review

Total AUA increased by 28% to £79.2 billion as at 30 June 2017 (£61.7 billion as at 30 June 2016). This was driven by £6.9 billion of NNB and higher market levels which added a further £10.6 billion. This result was supported by our continued high retention rates. Our focus on service and the value our clients place on our offering is evidenced in these, with client and asset retention rates remaining strong at 94.7% and 93.2% respectively.

The value of assets managed by Hargreaves Lansdown in our range of Multi-Manager Funds and Select Funds increased by 40% to £8.8 billion as at 30 June 2017 (2016: £6.3 billion). The growth in assets consisted of net new business of £1.2 billion (2016: £0.8 billion), combined with a stock market increase of £1.3 billion (2016: decrease of £0.1 billion). During the year, we successfully launched two of our own equity funds, HL Select UK Growth Shares and HL Select UK Income Shares, which had £525 million of AUM by 30 June 2017. Performance of our range has remained good, with 65% of client assets above median after fees over the past three years.

Financial performance

Income statement

	Year ended 30 June 2017 £m	Year ended 30 June 2016 £m
Net revenue	**385.6**	326.5
Operating costs	**(126.7)**	(108.2)
Fair value gains on derivatives	**2.2**	–
Non-operating income	**4.7**	0.6
Profit before tax	**265.8**	218.9
Tax	**(53.8)**	(41.6)
Profit after tax	**212.0**	177.3

Net revenue

	Year ended 30 June 2017 £m	Year ended 30 June 2016 £m
Net recurring revenue	**296.9**	255.3
Transactional revenue	**81.2**	65.0
Other revenue	**7.5**	6.2
Total net revenue	**385.6**	326.5

Total net revenue for the year was £385.6 million, up 18% (2016: £326.5 million), driven by higher asset levels and increased client share dealing activity. Within this, the proportion of recurring revenue remained stable at 77% (2016: 78%).

Net recurring revenue is primarily comprised of platform fees, Hargreaves Lansdown fund management fees, interest on client money, equity holding charges and advisory fees. This grew by 16% to £296.9 million (2016: £255.3 million) due to increased average AUA from higher market levels and continued NNB, partially offset by the impact of falling interest rates and a flatter yield curve.

Transactional revenue is primarily made up of stockbroking commission and advisory event-driven fees. This grew by 25% to £81.2 million (2016: £65.0 million) from increased deal volumes post the EU referendum, which then remained at similar levels throughout the year. Due to the timing of the EU referendum in June 2016, the Group profited from this effect throughout the whole of the financial year, but the annualised benefit is now complete following its anniversary in June 2017.

Other revenue is derived from the provision of funds data services and research to external parties through Funds Library. This was up 21% from £6.2 million to £7.5 million driven by new Solvency II services and additional contract wins.

	Year ended 30 June 2017			Year ended 30 June 2016		
Net revenue margins	**Net revenue £m**	**Average AUA £bn**	**Net revenue margin bps**	Net revenue £m	Average AUA £bn	Net revenue margin bps
Funds[1]	**169.2**	**40.9[6]**	**41**	147.2	33.3	44
Shares[2]	**76.3**	**23.3**	**33**	57.8	19.3	30
Cash[3]	**36.6**	**7.5**	**49**	31.2	5.5	56
HL Funds[4]	**56.5**	**7.7[6]**	**73**	44.1	5.9	75
Other[5]	**47.0**	**–**	**–**	46.2	–	–
Double-count[6]	**–**	**(7.7)[6]**	**–**	–	(5.9)	–
Total	**385.6**	**71.7[6]**	**–**	326.5	58.1	–

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

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

Funds remain our largest client asset class at 57% of average AUA (2016: 57%), and the net revenue margin earned on these this year was 41bps (2016: 44bps). The reduction relates to the previously flagged transition phase of the Retail Distribution Review whereby from 1 April 2016 no renewal income from funds held by clients can be retained by the Group. This effect is now complete. Although client fund portfolios benefit from scale discounts, we expect fund margins to remain at similar levels over the next 12 months.

The net revenue margin on Shares was 33bps (2016: 30bps). The increase in margin has been caused by higher equity dealing volumes, up 32% on the prior year. There are caps in place on management fees charged in the SIPP and Stocks and Shares ISA accounts once holdings are above £44,444 in the SIPP and £10,000 in the ISA. This causes some dilution to the margin over time as clients grow their portfolio of shares. We expect the margin on Shares to be centred around 30bps over the next 12 months, with a range around this depending on actual dealing volume levels.

Cash balances grew strongly over the year as we saw a significant increase in cash transfers into SIPPs and ISAs during the year. The new mobile app has also added functionality allowing debit card cash contributions which has proved popular with clients. The net revenue margin on cash this year was 49bps (2016: 56bps). This is in line with our expectations due to the reduction in the Bank of England base rate from 0.50% to 0.25% in early August 2016 and the consequent flattening of the yield curve during the year. The impact of this rate reduction takes time to flow through given that the majority of clients' SIPP money is placed on rolling 13 month term deposits. Assuming no further rate changes, we anticipate the cash interest margin for the 2018 financial year will be in the range of 35bps to 45bps.

HL Funds consist of ten Multi-Manager funds, on which the management fee is 75bps per annum, and two Select equity funds, on which the management fee is 60bps. Net revenue from these funds has grown strongly this year due to investment outperformance, rising markets and the successful launch of the HL Select funds. Due to the new HL Select funds, the blended net revenue margin has reduced slightly to 73bps (2016: 75 bps). Please note that the platform fees on these assets are included in the Funds line and hence total average AUA of £71.7 billion (2016: £58.1 billion) excludes HL Funds AUM to avoid double-counting.

Operating costs

Total operating costs	Year ended 30 June 2017 £m	Year ended 30 June 2016 £m
Staff costs	**68.6**	60.2
Marketing and distribution costs	**14.3**	11.2
Depreciation, amortisation and financial costs	**9.0**	6.1
Other costs	**30.6**	25.2
	122.5	102.7
Total FSCS levy	**4.2**	5.5
Total operating costs	**126.7**	108.2

Operating costs increased by 17% to £126.7 million (2016: £108.2 million) to support higher client activity levels, maintain client service and invest in growth.

Staff costs remain our largest expense and rose by 14% to £68.6 million (2016: £60.2 million) due to an 8% increase in average staff numbers and higher variable compensation costs, reflecting strong performance in the financial year. The changes in staff numbers are in line with our commitment to delivering a high level of service to our growing client base, which increased in size by 14% this year, and capturing the significant growth opportunities we see ahead for Hargreaves Lansdown.

Marketing and distribution costs increased by 28% to £14.3 million (2016: £11.2 million) as we drove NNB in the second half of the year via conscious investment in our digital marketing presence and various marketing opportunities. These primarily related to the tax year end, our new mobile app, the Lifetime ISA, the HL Select UK Income Shares fund and the CF Woodford Income Focus fund launches, all of which boosted flows and new client acquisition. Use of mobile and digital media is a key strategic focus for Hargreaves Lansdown and we expect to continue increasing our investment in marketing and digital opportunities during 2018.

Depreciation, amortisation and financial costs increased by £2.9 million as a result of higher capital spend in recent years, primarily on our core in-house IT systems. In addition, £0.8 million was written off fixtures and fittings following a refurbishment of the head office. Following our decision in June 2017 not to proceed with launching a P2P lending platform, we also wrote off £1.2 million of previously capitalised costs.

Total capitalised expenditure was £13.1 million this year (2016: £6.6 million). This expenditure was from cyclical replacement of IT hardware, the continued project to enhance the capacity and capability of our key administration systems, the ongoing development of Active Savings and a refurbishment of our head office environment.

Operating and financial review

Other costs rose by £5.4 million to £30.8 million (2016: £25.2 million). The key drivers of this were additional dealing costs resulting from higher share dealing transaction volumes, increased professional fees and irrecoverable VAT on non-staff expenses. Office running costs are included within this line and decreased from £4.8 million to £4.2 million due to rebates received on previous years' business rates.

The Financial Services Compensation Scheme (FSCS) levy decreased by 24% to £4.2 million. This amount benefited from £1.3 million of rebate received this year relating to the previous year's charge. The FSCS is the compensation fund of last resort for customers of authorised financial services firms. All authorised firms are required to contribute to the running of the scheme and the levy reflects the cost of compensation payments paid by the industry in proportion to the amount of each participant's relevant eligible income.

Profit before tax

Hargreaves Lansdown's success is built around the service we provide to our clients. We look to balance the challenge of delivering our service standards in a fast growing business with our desire to both maintain our scalable operating platform and invest in further growth opportunities. 2017 was a good year for operating leverage as revenue growth more than covered the additional servicing and activity-related costs we needed to put into the business. As a result, we were able to maintain our operating margin at an industry leading 68% (2016: 67%). We believe this attractive operating margin allows us considerable flexibility to balance our client service and shareholder obligations across the market cycle.

Profit before tax grew 21% to £265.8 million (2016: £218.9 million) on the back of this strong operating performance and the £3.7 million realised gain on our legacy investment in Euroclear plc.

Tax

The effective tax rate for the year was 20.2% (2016: 19.0%), slightly above the standard rate of UK corporation tax due to prior year adjustments. The Group's tax strategy is published on our website at www.hl.co.uk

EPS

EPS	**Year ended 30 June 2017 £m**	Year ended 30 June 2016 £m
Operating profit	**261.1**	218.3
Finance income	**1.2**	0.6
Other gains	**3.5**	–
Profit before tax	**265.8**	218.9
Tax	**(53.8)**	(41.6)
Profit after tax	**212.0**	177.3
Diluted share capital (million)	**474.7**	474.7
Diluted EPS (pence per share)	**44.6**	37.3

Diluted EPS increased by 20% from 37.3 pence to 44.6 pence, reflecting the Group's strong trading performance and a one-off gain of £3.7 million made on the disposal of the full holding in Euroclear plc. The Group's basic EPS was 44.7 pence compared with 37.4 pence in 2016.

Liquidity and capital management

Hargreaves Lansdown is regulated by the Financial Conduct Authority (FCA). On 3 August 2017, the FCA notified the Group that it intends to reassess its regulatory capital requirements given the Group's strong recent growth in scale and complexity. In response, the Board decided it must clarify its dividend policy and how it would be applied in the 2017 results. This was announced to the market on 4 August. As the Group had not received the formal written assessment from the FCA as at 14 August, the date of this report, the impact below is based on estimates calculated using the methodology verbally communicated on 3 August.

Liquidity

The Group has a high conversion rate of operating profits to cash, which is primarily used to fund our growth requirements and dividends to shareholders. The Group's net cash position at 30 June 2017 was £255.8 million (2016: £208.2 million) as cash generated through trading offset the payments of the 2016 second interim and special dividends and the 2017 interim dividend. This includes cash on longer-term deposit and is before funding the 2017 final dividend of £96.6 million. The Group also funds a share purchase programme to ensure we avoid any dilution from operating our share-based compensation schemes.

Our healthy net cash position has been made even healthier after the FCA's recent intervention and the Board believes this provides both a source of competitive advantage and support to our client offering. It provides security to our clients, giving them confidence to manage their money through us over many years, and allows us to provide them with an incredible service, for example through using surplus liquidity to allow same day switching between products that have mismatched settlement dates.

Capital

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 to fund ongoing trading and future growth, in line with our strategy of offering a lifelong, secure home for people's savings and investments. Following the FCA's notification, the Board concluded it needed to retain an additional £50 million of capital and hence, as previously announced, the Group has not paid a special dividend for the financial year ended 30 June 2017.

Capital	£m
Shareholder funds	**307**
Less: goodwill, intangibles and other deductions	**(19)**
Tangible capital	**288**
Less: provision for dividend	**(97)**
Qualifying regulatory capital	**191**
Less: estimated capital requirement	**(133)**
Estimated surplus	**58**

Total attributable shareholders' equity at 30 June 2017 was £306.0 million (2016: £253.7 million), as the Group's continued profit growth was partially offset by dividend payments of £164.5 million during the year. The Board considers the impact of prospective dividends when managing capital against its regulatory risk appetite levels and the decision not to pay a special dividend for the 2017 financial year maintains this at a healthy surplus over our estimated requirements. Further disclosures are published in the Pillar 3 document on the Group's website at www.hl.co.uk

Clarification of dividend policy and 2017 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. 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)	2017	2016
First interim dividend paid	**8.6p**	7.8p
Final/second interim dividend declared	**20.4p**	16.3p
Total ordinary dividend	**29.0p**	24.1p
Special dividend	**–**	9.9p
Total dividend	**29.0p**	34.0p

Reflecting this policy and our communications on 4 August, the Board has declared a 2017 total ordinary dividend of 29.0 pence per share (2016: 24.1p), 20% ahead of last year. This is in line with EPS growth and maintains the ordinary dividend payout ratio at 65%. The 2017 total dividend of 29.0 pence per share (2016 34.0p) is down by 15% due to the decision not to pay a special dividend this year. Subject to shareholder approval at the 2017 AGM, the final dividend will be paid on 20 October 2017 to all shareholders on the register at the close of business on 29 September 2017.

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

Viability statement

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

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

Philip Johnson
Chief Financial Officer

14 August 2017

Principal risks and uncertainties

Managing risk is a key aspect of our success. It plays a major role in our ability to provide exceptional client service, while also generating good returns for both our clients and shareholders alike.

Principal risks and uncertainties

Managing the risks to Hargreaves Lansdown is fundamental to delivering the incredible levels of service our clients expect and generating returns for shareholders. The Board has performed a robust assessment of the principal risks facing the Group through a process of continual review, including those that would threaten its business model, future performance, solvency and liquidity. In making such an assessment the Board considers the likelihood of each risk materialising in the short and longer term.

The principal risks and uncertainties faced by the Group are detailed below, along with actions taken to mitigate and manage them. The principal risks are categorised into strategic risks, operational risks and financial risks as per our risk framework.

Strategic and emerging risks

Risk	Potential impact	Mitigations	2017 impact
Future strategic change Hargreaves Lansdown fails to provide innovative propositions and services to our clients.	• Negative impact on AUM, shareholder returns and client number targets. • Reputational damage as a result of the under performance.	• The Board reviews the strategy in the context of providing our clients with the services and propositions they need. • Steering groups are set up for all new services or client offerings to ensure they are delivered to time, quality and costs requirements.	• Development of the Active Savings proposition.
Future regulatory change Managing implementation of regulatory change has been a major element of the emerging risks in recent years.	• Non-compliance with regulation. • Missed opportunities to achieve competitive advantage through the approach to implementation.	• The Group Steering Board ensure all regulatory projects are properly prioritised and delivered. • The Compliance function performs horizon checking to ensure the Group has timely visibility of future regulatory change. Director of Risk and Compliance maintains reporting on future regulatory change.	• MiFID II. • European General Data. Protection Regulation. • SMCR. • PSD2.
Change in regulatory capital levels A revised regime could have a material impact on both Hargreaves Lansdown and the industry.	• Capital requirement figure materially larger than the figure under the current ICAAP regime.	• Attendance at industry events. • Ongoing communication with the FCA.	• Monitoring and inputting to the review. • Building assumptions based on available materials. • Special dividend cancelled because of increased capital requirement.

Operational risks

Risk	Potential impact	Mitigations	2017 impact
Continued geo-political and economic uncertainty Both nationally and internationally we are in a period of substantial geo-political and economic instability.	• Negative impact on consumer confidence and desire to hold/buy investments preferring to keep funds as cash savings.	• The Executive and the Board track and discuss emerging risks to ensure appropriate responses are in place.	• Brexit. • Middle East. • Eastern Europe.
Conduct The risk that Hargreaves Lansdown fails to deliver fair outcomes for clients.	• Reputational damage resulting from poor levels of customer service. • Negative impact on AUM, shareholder returns and client number targets.	• Strong client-centric culture. • Formal policy in place with ongoing review at Group and departmental level. • Conduct Risk Management Information is discussed at the Risk Committee as part of the wider Risk Management Information.	• Evolution and further embedding of the Propositional Lifecycle.
Regulatory The risk that the Group fails to meet regulatory obligations, leading to reputational damage, monetary fines or the withdrawal of its authorisation to carry on its business.	• Reputational damage resulting from poor levels of customer service. • Negative impact on AUM, shareholder returns and client number targets.	• Independent Compliance, Risk and Internal Audit functions. • Strong compliance culture geared towards client outcomes and regulatory compliance.	• None.
Disruption to business Physical business continuity event or catastrophic loss of systems, or other external event could cause disruption to our business and result in inability to perform core business activities or reduction in client service.	• Inability to service clients' needs. • Reputational damage if not properly managed.	• Business continuity and disaster recovery plans tested regularly. • Dual hosting of all critical servers, telecommunications and applications. • High level of resilience built into daily operations. • Separate business continuity/disaster recovery site available 24/7.	• Testing of business continuity plan and disaster recovery solutions.
Financial crime Failure to protect against cybercrime, fraud or security breaches could result in loss of data or inability to maintain our systems resulting in client detriment and reputational damage.	• Loss of data or inability to maintain our systems resulting in client detriment and reputational damage. • Fraudulent activity leading to identity fraud and/or loss of customer holdings to fraudulent activity.	• Dedicated information security, anti money laundering and client protection teams in place. • Formal policies and procedures. • A security operations centre focused on the detection, containment and remediation of information security threats.	• A programme of training and awareness. • Expansion of the security operations centre.

Principal risks and uncertainties

Financial risks

Risk	Potential impact	Mitigations	2017 Impact
Prudential risk The risk that the Group may hold insufficient regulatory capital resources in order to meet FCA Threshold Conditions requirements.	• Regulatory censure.	• As part of the ICAAP, Hargreaves Lansdown undertakes regular capital adequacy assessments to ensure that it maintains financial resources of sufficient scale and quality at all times. These assessments include risk-based stress testing to model the impact of extreme scenarios on the Group's own funds.	• Ongoing review of the capital held under the ICAAP regime linked to management of the risk profile of the organisation. • Consideration of the impacts of the EBA advice on the design of a new prudential framework for investment firms. • Capital managed in order to maintain a capital buffer in line with our risk appetite.
Liquidity Lack of sufficient readily realisable financial resources to meet the Group's obligations as they fall due, or lack of access to liquid funds on commercially viable terms could lead to inability to pay clients and regulatory breaches.	• Unable to meet obligations as they fall due.	• A Treasury management policy is in place, overseen by the Treasury Committee, which maximises return on capital while providing the ability to access sufficient liquid funds at short notice should this be necessary.	• Annual refresh of Liquidity Policy and Framework.
Counterparty The Group must always protect against the risk that a bank or other counterparty could fail.	• Failure of a third-party bank, broker or market maker.	• Group deposits with highly credit-rated institutions only, in accordance with the Treasury Policy. • The Treasury Committee monitors the counterparties' credit ratings on a regular basis.	• None.
Market Fluctuations in capital markets may adversely affect trading activity and/or the value of the Group's Assets Under Administration or Management, from which we derive revenues.	• Downturns in the market and resultant drops in AUA and AUM will have a negative impact on Hargreaves Lansdown income.	• The Group business model comprises both recurring platform revenue and transaction-based income. • A high proportion of the AUA and AUM are held within tax-advantaged wrappers, meaning there is a lower risk of withdrawal. • Multi-Manager funds publish market exposures in prospectus and funds are managed (and monitored) accordingly.	• None.

Corporate social responsibility

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

Our purpose is to "Empower people to save and invest with confidence". Achieving this will help people to make more of their money throughout their lifetime. Our values are rooted in placing the client at the heart of what we do. We believe that doing the right thing for clients and employees makes great business sense.

For more information visit our website at www.hl.co.uk/investor-relations/corporate-social-responsibility

We are committed to managing the environmental impact of our operations, treating our employees well and maintaining a great culture and working environment. Our approach to corporate social responsibility includes these key elements:

Quality – We want to offer the best products and offer an excellent service, and are always looking for ways to improve.

Sustainability – We work for the long-term, looking beyond immediate success.

Our culture

We have worked hard to create what we believe to be a unique working culture at Hargreaves Lansdown and our employees play a key part in developing and driving this forward. To identify our key values as a business we looked to our employees to provide real insight, which ensured the values identified were organic and not forced or artificially created. A Group-wide survey was undertaken in the year and established our values as:

- Care – put the client first;
- Service – go the extra mile;
- Integrity – do the right thing;
- Simplicity – make it easy; and
- Innovative – do it better.

Putting clients first: At Hargreaves Lansdown there is an embedded culture whereby the interests of clients are always put first and how they must be treated fairly. This is communicated to all employees in the business during their induction and throughout their careers. In practice, this includes elements such as ensuring that:

- all product design and information is clear and understandable;
- information and client support is available to clients after the point of sale;
- appropriate complaints handling procedures are in place; and
- financial promotion and marketing practices are unbiased and appropriate for their audience.

To ensure we are getting things right with clients, we listen to them about the changes they would like to see to our services and we encourage and actively seek feedback. If clients ever feel the need to complain, the complaints handling team carefully investigates our clients' complaint and endeavours to provide them with a fair resolution. We benchmark our performance in treating clients fairly against statistics published annually by the Financial Ombudsman Service for the industry. The results for the 2017 financial year compared to the last figures published by the Ombudsman show that Hargreaves Lansdown is achieving good results in this regard.

Going the extra mile: Ensuring our clients' needs are met and expectations exceeded is very important and our breadth of offering means we have the ability to assist clients throughout their financial lifetime. Clients have differing financial needs and goals, but listening, finding solutions and treating them as individuals ensures we provide our clients with an exceptional personal experience.

Integrity: The Group prides itself on its integrity in dealing with clients and staff openly and honestly. All employees are trained and made fully aware of anti-money laundering procedures which must be adhered to at all times. The Group takes the views of its employees very seriously and through its Whistleblowing Policy it encourages employees 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.

Simplicity: We believe dealing with us should be easy and efficient. As such, we are constantly reviewing our processes and services to streamline interactions and allow clients to conduct their business with the minimum hassle through whichever channel they choose. Information on our website is easy to find, application processes only ask for the information we really need, and if you contact us by telephone you will be put through directly to a person rather than an automated telephone system.

Innovative: We continue to innovate around our clients' needs through challenging ourselves to always deliver better solutions, better services and a better experience. From the new improved mobile experience to our new HL Select funds, we are continually delivering new ways to help clients invest.

Campaigning

The Group actively seeks to lobby via public consultation documents where they believe that investors in the UK will benefit. Examples during the year include:

- Working with HM Treasury on the development of the new LISA and a ban on cold calling to reduce the risk of pension fraud.
- Lobbying the DWP to give employees more control over their workplace pensions and improved access to pensions for the self-employed.

Corporate social responsibility

Employee well-being

Our dedicated people are central to delivering our values and ensuring their well-being is therefore a key focus. In addition to providing competitive benefits packages and tailored learning and development programmes, we have introduced several workshops and initiatives over the last 12 months to raise awareness of and promote a healthy working environment for employees. This has included:

- Healthy Living Week – a wide range of activities were made available such as fitness classes, health MOTs, singing classes and mindfulness classes;
- Healthy Minds Week – an awareness week which included workshops on mindfulness, personal resilience, mental health and nutrition; and
- Personal Development Week – which included motivational speakers, workshops on impact and influence and career drop-in sessions.

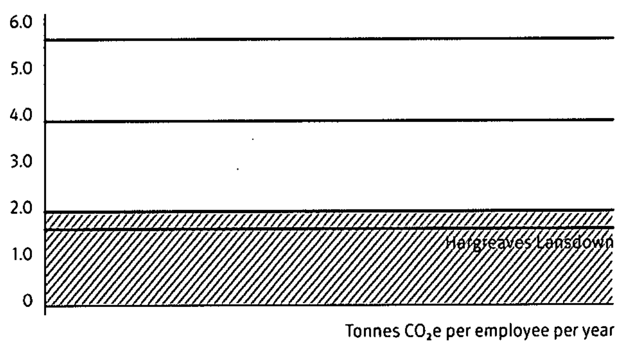
We also offer an Employee Assistance Programme (EAP) which is intended to help employees deal with personal problems that might adversely impact their work performance, health and well-being.

Environment

As a service business that is fundamentally based on intellectual capital and conducts the majority of client transactions online, we do not see ourselves as a significant emitter of environmentally harmful substances. However, the Group continues to promote energy efficiency and the avoidance of waste throughout its operations.

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.

Each year we compare the tonnes of CO_2 emissions per employee per year to FTSE 100 companies in the same sector as us. The results in the chart below demonstrate the relatively low impact our business has on the environment.



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

	30 June 2017	30 June 2016	Change
Vantage clients registered as paperless	**76%**	73%	+3%
Vantage client equity deals placed online	**98%**	98%	0%
Clients registered to use our online services	**89%**	88%	+1%

Business travel and commuting: We do not provide company cars to managers or to our network of advisers. Advisers are spread throughout the UK which minimises travel time and carbon emissions. We provide a telephone advice service where a face-to-face meeting is not required. In January 2017, we introduced a cycle to work scheme which offers our employees an incentive to travel to and from work in an environmentally friendly way and we also provide a secure bike park at our office enabling up to 150 staff to cycle to work. More employees are now able to work from home using laptops, which, as well as consuming less power than desktop computers, reduces the need for work related travel.

Recycling: We continue to shred and recycle confidential waste and have arrangements for the collection of recyclable waste such as printer toner cartridges, cardboard, plastics, newspapers and out-of-date literature. We also continue to recycle redundant IT equipment through specialist third parties.

Greenhouse gas emissions: Since 1 October 2013, the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 has required all UK quoted companies to report on their greenhouse gas emissions as part of their annual directors' report. An analysis of our output of greenhouse gas emissions compared to other FTSE 100 companies in our sector shows that the Group's activities produce a relatively low impact on the environment.

The Group's Scope 1 and 2 emissions for the year to 30 June 2017 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.

We have reported on all of the emission sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 which fall within our consolidated financial statements. We do not have responsibility for any emission sources that are not included in our consolidated statement. We have used the GHG Protocol Corporate Accounting and Reporting Standard (revised) and emission factors from UK Government's GHG Conversion Factors for Company Reporting 2016.

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 2017 our emissions per employee decreased by 21%.

Global GHG emissions data for period 1 July 2015 to 30 June 2017 (unaudited)

	Tonnes of CO_2e		
Emissions from:	Current reporting year 2016-2017	Comparison year 2015-2016	Change
Scope 1 -Combustion of fuel and operation of facilities	**217.3**	400.8	-46%
Scope 2 – Purchased energy for own use	**1,546.0**	1,673.4	-8%
Tonnes of CO_2e per average full-time equivalent employee	**1.68**	2.14	-21%

Hargreaves Lansdown has continued to be included in the FTSE4Good Index series, having been independently assessed according to the FTSE4Good criteria. The FTSE4Good index measures the performance of companies that meet globally recognised standards on corporate social responsibility.

Community

HL Foundation – Investing in a better future

On 1 September 2016, the Group launched the Hargreaves Lansdown Charitable Foundation, the charitable arm of Hargreaves Lansdown. This moved the Group's focus away from one nominated charity per year, the last of which was St Peter's Hospice, to between four and eight employee nominated charities.

Our mission is to utilise the skills and time of our workforce and partners to make a positive, sustainable difference in the world around us. We focus on four pillars: the next generation, health and well-being, improving lives and local communities. Every three years we will select charities corresponding to these pillars which we will support through a range of fundraising events. The charities are nominated and selected by employees and the first five are as follows:

Next generation The Prince's Trust Youth Adventure Trust
Well-being Cancer Research UK
Improving lives Guide Dogs for the Blind
Communities Great Western Air Ambulance

The foundation aims to provide a centralised focus for fundraising efforts, improve support and increase the money raised for charitable causes and improve links with our local communities and national charitable groups. All of the legal and administration costs will be met by the Group so 100% of the money raised will go to the employee nominated charities. The day-to-day running of the foundation will be by Hargreaves Lansdown volunteers.

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

Our tax contribution

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 an open and transparent way.

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 ideas.

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. Our corporation tax and employer's national insurance paid in respect of the year ended 30 June 2017 was £51.1 million (2016: £47.6 million). In addition, we pay other taxes such as VAT, stamp duty and business rates.

Our people

We are committed to attracting, developing and retaining talented people who put our clients at the heart of our business

Our values

- Put the client first;
- Go the extra mile;
- Do the right thing;
- Make it easy; and
- Do it better.

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

Our people strategy

We recognise that the strength of our people is pivotal to our business and we are committed to recruiting the right talent and providing the best environment, culture, training and development for our people to flourish. We believe that our people should be proud of what they achieve together, with a strong sense of belonging to Hargreaves Lansdown and know that we recognise the crucial role that our people play in our success.

A premier destination for talented people

To attract and retain the right people we offer competitive rewards which includes independently benchmarked pay and benefits. We believe that working together as a team is key to our success and so to complement pay we include the majority of our colleagues in a Group bonus scheme, linked to the financial success of Hargreaves Lansdown and distributed on an individual performance-related basis identified via a performance appraisal system. To encourage employees to share in the success of our business we offer immediate entry into our SAYE scheme and over 32% of eligible employees joined the 2017 scheme.

To complement the direct financial rewards we provide pension contributions and from October 2017 this includes a matching scheme (to encourage our colleagues to save for their retirement) and extended life cover. From January 2017, we introduced a flexible benefits scheme (HL Rewards) which includes health checks, extended holiday entitlements, medical health cover, health cash plan, a gourmet card and child care vouchers. Colleagues can extend their benefit selections in line with personal preferences to include such benefits as the government-backed cycle to work initiative.

To present ourselves as a premier destination for talented people we have launched a new, fully mobilised careers website which promotes our business, our values and our opportunities.

Engaging our people

It is crucial that our people understand our priorities and are engaged in the development of our business. Hargreaves Lansdown actively encourages colleague involvement. We place emphasis on keeping colleagues informed of the Group's activities, the macroeconomic conditions, current regulatory issues and financial performance. We do this via a coordinated internal communications programme.

We also believe it is important to listen and understand our colleagues' views and motivation and their honest feedback is crucial in deciding our colleague engagement programme. This year we partnered with Korn Ferry to benchmark our colleague engagement against other high performing organisations and those in our industry. We were delighted to have a 78% response rate, and followed up the survey with focus groups conducted by senior managers and directors across the business.

Over 91% of employees who completed the survey feel proud of the quality of our products and services which places us 12% ahead of the external benchmarks. We also made progress year-on-year on improvements made to our pay and benefits, the development opportunities available for colleagues and the way that performance is managed. In January we announced that we will be opening HL Tech in Warsaw, Poland to increase the talent pool of skilled IT colleagues into the business.

Learning, development and communication

To continue to engage and develop our people, we have introduced a range of new initiatives. We opened the Hargreaves Lansdown Learning Academy where we house a newly extended induction programme, a career development programme, a management qualification and team building events. Over 30% of colleagues have attended team events focusing on building diverse, high performing teams. We support our colleagues in their continuing personal and professional learning and development and encourage attendance at external and internal programmes. This year we introduced a career plan for all colleagues, and an internal careers fair to promote the wide-ranging opportunities for personal growth and career development in our business. To enhance our internal communications a new team have been tasked with ensuring that key leadership messages are communicated and cascaded across the business.

Programmes for young people

We are committed to providing training programmes for young people and now offer a suite of programmes. This includes an Apprenticeship Scheme for 16–18 year olds, where young people can train with us in our IT, digital or operational teams, an industrial placement scheme for undergraduates, a graduate training programme, internships and summer work experience programme for school children. We were delighted to receive external recognition for our graduate programme by being ranked in the Top 100 companies for graduates.

Diversity and equality

We are committed to maintaining a diverse workforce at all levels and believe that diversity is a broad issue encompassing variations in experience, skills, age and background, as well as more traditional diversity factors such as ethnic origin and gender. Commercially, and for best practice reasons, we are an equal opportunities employer and believe that to succeed as a business we need to make the most of the potential of our people whoever they are. We have human resource policies in place to attract a diverse workforce and once working with us our people can expect to develop in an environment that is free from discrimination or harassment. We have an 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.

2017 total workforce FTE = 1,185

As at 30 June 2017

	Company Directors[1]	Other senior management[2]	**Total employees (FTE)**
Male	5 (71%)	31 (84%)	**812 (69%)**
Female	2 (29%)	6 (16%)	**373 (31%)**

2016 total workforce FTE = 942

As at 30 June 2016

	Company Directors[1]	Other senior management[2]	**Total employees (FTE)**
Male	5 (71%)	28 (88%)	**658 (70%)**
Female	2 (29%)	4 (12%)	**284 (30%)**

Notes:
1 Company Directors consists of the Company's Board as detailed on page 36.
2 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 Company Directors.

We give full consideration to applications for employment from disabled persons, where the candidate's aptitudes and abilities are consistent with meeting the requirements of the job. If members of staff become disabled the Group continues 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.

Human rights

As a UK-based organisation with clients and employees located within the UK, we have not provided further information about any policies of the Group in relation to human rights issues since it is not considered necessary for an understanding of the development, performance or position of the Group's business activities.

For details of our statement on human rights, in particular those views in relation to human trafficking and modern slavery, please visit our website – www.hl.co.uk/__data/assets/pdf_file/0009/11399832/Modern-Slavery-Act.pdf

Empowering people to save and invest with confidence

Financial advice

Our financial advisers help thousands of clients each year to make the right investment decisions to meet their financial objectives.

We have 90 qualified advisers based around the country to help people either face-to-face or over the telephone to control their finances.

Our distinct approach to financial advice means we will only recommend it if we believe clients will value and financially benefit from it. If we don't believe this is the case, we will show them how to get set up on the Vantage platform and provide the tools and guidance for them to make their own investment decisions.

Our Portfolio Management Service, where an investment manager will fully manage your portfolio is provided to over 14,800 clients with AUA of £3.5 billion.

For more information, please see www.hl.co.uk/financial-advice

Personal

Pick and choose the advice you need, when you need it.

Chairman's introduction

Sound and effective governance is integral to the Group's success.

Dear shareholder

On behalf of the Board, I am pleased to present the Group's Governance report for the year. Sound and effective governance is at the heart of the Board and the report which follows details how we and our Committees have discharged these responsibilities during the year.

Role of the Board

The Board's role is to set the Group's strategy, ensure it has the right leadership, oversee its risk management structure and monitor the performance of the business. We are focused on ensuring good outcomes for our clients and looking after the interests of our shareholders and other stakeholders. The Board considers that the Group's long-term success is best supported by having members with a wide range of skills and experience and it is vital that the Board has sufficient diversity and independence of both thought and action. All Board appointments are made on merit, while at the same time considering the diversity required for an effective Board, including diversity of skills, experience, background and gender. Details of our diversity policy are contained later in this section, and a copy of our full statement on Board diversity can be found at www.hl.co.uk

The Board

There have been a number of changes to the composition of the Board during the year on both Executive and Non-Executive sides. As previously announced, Ian Gorham stood down from the Board in February 2017 after six and a half years as CEO. Chris Hill was appointed as CEO in his place, having previously held the position of CFO and Deputy Chief Executive from September 2016. Philip Johnson joined as CFO in February 2017 and was appointed to the Board in April 2017 after receiving regulatory approval. Philip brings considerable experience as a plc CFO and expertise from across the financial services industry.

In May 2017, I advised the Board of my intent to stand down from the position as Chairman once a suitable replacement has been identified. Chairing Hargreaves Lansdown over the past eight years has been a real privilege as I have seen the Group grow significantly and establish itself as the UK's leading retail savings and investments platform over this period. The search process for a new Chairman is making good progress and we expect to be able to make an announcement after regulatory clearance in the final quarter of 2017. We have also recommended the appointment of two new independent Non-Executive Directors who will be appointed as soon as regulatory approval is received. This will ensure that we have the appropriate range of skills and experience going forward.

Our committees

Our Board Committees play an integral role in supporting the Board and their roles, composition and work performed are outlined later in this section. It has been a busy year in particular for the Nomination Committee, as discussed above, and also for our newly formed Investment Committee, which has implemented and overseen its first annual schedule of work.

Attracting and retaining talented employees is essential to the sustainable delivery of our strategy. The Remuneration Committee has reviewed our arrangements this year to ensure that employee reward is aligned with the experience of our clients and shareholders while maintaining our performance related culture. As a result, it has recommended that we seek approval of a new Remuneration Policy this year, which is intended to deliver these features within a simplified remuneration structure. Changes include an increased minimum shareholding requirement, a lower overall bonus cap and a restricted stock option incentive arrangement. Good governance requires open engagement with stakeholders and we have sought and responded to feedback in relation to these proposed changes, and we hope to receive your continued support of our Remuneration Policy going forward.

The Executive Committee, which is now led by Chris Hill, is the key operational committee tasked with strategic delivery. It was strengthened in February by our Chief People Officer, Heather Cooper, joining the Committee and by the appointment of Philip Johnson. The Board is keen to ensure that the strategic aims of the Group are known to all colleagues and work is being done to ensure that these are fully embedded in the business. The Executive Committee has been reviewing its effectiveness against this objective, and has recently increased its meeting frequency. It is also looking at further ways of improving the Group's execution capabilities throughout the upcoming year.

Working effectively

As Chairman, my primary responsibility is to ensure that the Board is operating effectively and focusing its time, attention and efforts on the right matters. The 2017 Board Effectiveness Review was facilitated by me, with one-to-one discussions with each of the Directors undertaken towards the end of the year. This identified a number of modest changes to the way we work together, which I am confident will enhance the quality of strategic debate around the table.

General meeting

During the year, the Group received correspondence from the FRC regarding a technical issue concerning historic dividend payments. This centred on the timing of dividend payments in relation to the filing of interim accounts and, at the year end, the circulation of the audited financial statements. Upon investigation it became clear that this was a long-standing issue and in order to rectify, the Company was required to take action to release both shareholders and Directors from the potential liability to repay the technically unlawful distributions. This took the form of a special resolution at a general meeting on the 7 March 2017 which was passed with 99.6% approval.

Compliance statement

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

Having reviewed the provisions of the Code, the Board is satisfied that the Company has fully complied with them throughout the year ended 30 June 2017 and confirms that the Board believes the Report and Financial Statements taken as a whole, are fair, balanced, understandable and provide the information necessary for shareholders to assess the position and our performance, business model and strategy. More information is contained within the Corporate governance and Remuneration Committee reports.

I look forward to receiving your feedback at and in advance of our AGM on 11 October 2017.

Mike Evans
Chairman

14 August 2017

The Board

	Chairman	Executive Directors	
	Mike Evans, FIA Chairman	**Chris Hill, ACA** Chief Executive Officer	**Philip Johnson, ACA** Chief Financial Officer
Appointed to the Board	Chairman from December 2009, Non-Executive Director from September 2006	April 2017 (Chief Financial Officer from February 2016 to September 2016 and Deputy Chief Executive Officer from October 2016 to April 2017)	April 2017
Skills, competence and experience	Mike is an actuary with extensive financial services experience. During his 20 year career with Skandia, where he served as the Chief Operating Officer, he gained significant strategic and operational experience. He has broad experience as a director and chairman with relevant knowledge of regulation and governance. His collegiate approach ensures an open yet robust debate in the boardroom.	Chris has considerable finance and accounting experience as well as operational and leadership skills from a number of business sectors, most recently as Chief Financial Officer at IG Group Holdings plc, a FTSE 250 online trading platform for retail customers and prior to that as Chief Financial Officer at Travelex. Chris qualified as a chartered accountant at Arthur Andersen and is an associate member of the Association of Corporate Treasurers.	Philip is an experienced chartered accountant and financial services CFO. 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	Nomination Committee (Chair) Risk Committee (Chair) Remuneration Committee	None	Investment Committee (from August 2017)
Other current appointments	Non-Executive Chairman of Zoopla Property Group plc Senior Independent Non-Executive Director of Chesnara plc	None	None

Non-Executive Directors

Christopher Barling	Shirley Garrood, ACA	Stephen Robertson, FRSA	Jayne Styles
Senior Independent Director	Non-Executive Director	Non-Executive Director	Non-Executive Director
August 2010	October 2013	October 2011	October 2015
Christopher is a technology entrepreneur with a vast amount of IT industry experience. He worked in senior positions for Cable & Wireless and Reuters and co-founded Actinic, which specialised in ecommerce solutions for SMEs. He is Chairman of User Replay, a digital consumer experience analytics software provider.	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 board member, chairing committees of a listed company and a G15 housing association.	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.	Jayne brings a wealth of relevant financial services knowledge, including current executive strategic, governance and operational experience as Chief Investment Officer at MS Amlin, where she is responsible for running their £6 billion plus global multi-asset, multi-manager portfolios. Jayne has an Executive MBA from Cranfield School of Management and holds a number of professional qualifications, including Associate of the CFA Society of the UK and Fellow of the Chartered Banking Institute.
Remuneration Committee (Chair) Audit Committee Nomination Committee Risk Committee	Audit Committee (Chair) Nomination Committee Remuneration Committee Risk Committee	Audit Committee Investment Committee Nomination Committee Remuneration Committee Risk Committee	Investment Committee (Chair) Audit Committee Nomination Committee Risk Committee
Non-Executive Chairman of User Replay Limited Co-founder and Chairman of Powered Now Limited	Deputy Chairman and Senior Independent Non-Executive Director of esure Group plc	Non-Executive Director of Timpson Group plc Non-Executive Director of Clipper Logistics plc Non-Executive Director of Johnson Cleaners UK Limited	Chief Investment Officer, MS Amlin plc Chief Executive Officer, MS Amlin Investment Management Committee Member of the Corporation of Lloyd's Investment Committee

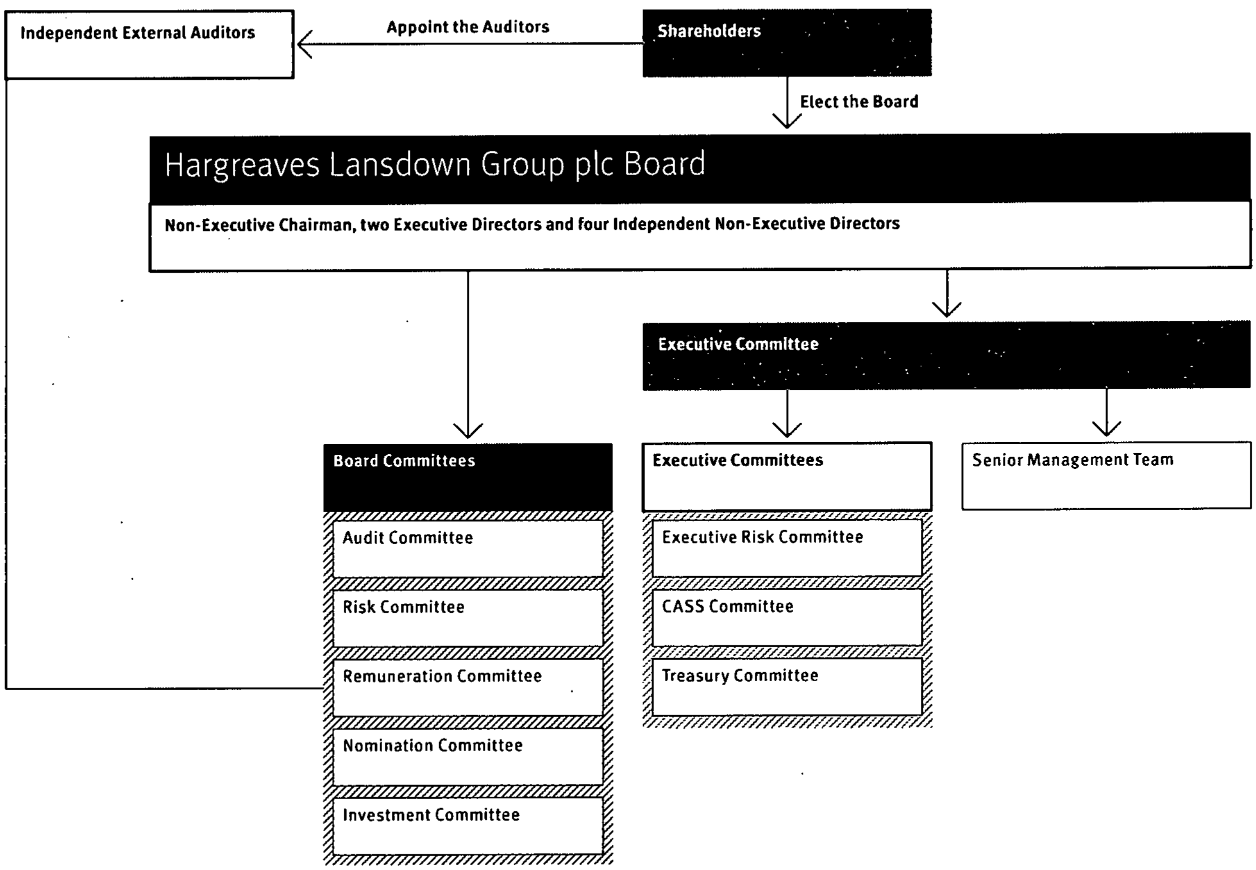
Corporate governance report

The Board's role is to set the Group's strategy, ensure it has the right leadership, oversee its risk management structure and monitor the performance of the business.

The Board has established five standing Board committees to assist it with carrying out its functions and to ensure independent oversight of internal control and risk management. The five principal Board committees (Audit, Remuneration, Risk, Nomination and Investment) all have formal terms of reference that have been approved by the Board, and performance of the committees is assessed annually. Each committee's terms of reference sets out the specific matters for which delegated authority has been given by the Board. These terms of reference are reviewed annually and are available on the Group's website www.hl.co.uk/investor-relations

The Board has also established the Executive Committee which is responsible to the Chief Executive Officer for developing and monitoring every aspect of the Group's business on a continuing basis, for developing and implementing business strategy as agreed by the Board and ensuring that day-to-day operations are conducted in accordance with the relevant regulatory and statutory requirements. The Executive Committee has established three reporting committees to assist it with managing the Group's business. The Executive Risk Committee is an executive committee seeking to ensure risks are identified, assessed, managed and reported on. It is also responsible for overseeing compliance with the regulatory capital requirements under the ICAAP regime. The CASS Committee is responsible for overseeing our processes and controls over segregating client monies and safeguarding custody assets. The Treasury Committee's role is to define and oversee the management of client and Hargreaves Lansdown's own cash balances within the regulatory framework and Group's risk appetite. Each of these committees operates under defined terms of reference with clear responsibilities. This clear governance framework is shown below.

Corporate governance framework as at 30 June 2017



Matters reserved to the Board

There is a documented schedule of matters which are reserved for Board decision and approval. These matters are significant to the Group as a whole due to their strategic, financial or reputational implications, and include, but are not limited to, the agreement of strategies, recommendation of dividends, approval of acquisitions and major capital expenditure. In addition only the Board can appoint and remove Directors and the Company Secretary. The Board also has overall responsibility for the Group's system of internal controls and risk management.

Except for the schedule of matters reserved for decision by the Board, the Board has delegated the day-to-day management of the Group to the Chief Executive Officer who is supported by the Executive Committee and senior management.

Board structure

The Board is made up of the Chairman, Executive Directors, being the Chief Executive Officer and the Chief Financial Officer, and independent Non-Executive Directors. The roles of the Chairman and Chief Executive are clearly defined, separate and approved by the Board.

Chairman

The Chairman is responsible for the operation, leadership and governance of the Board, ensuring its effectiveness and setting its agenda. In conjunction with the Chief Executive Officer and Company Secretary, the Chairman plans agenda items and timings for Board meetings. The Chairman ensures that the membership of the Board is appropriate to the needs of the business and that Board committees carry out their duties, including reporting back to the Board. The Chairman is also responsible for ensuring there is effective communication with shareholders and other stakeholders, and that the rest of the Board is aware of and maintains an understanding of their views. The Chairman works closely with the Chief Executive Officer to ensure that the strategies and actions agreed by the Board are effectively implemented.

Chief Executive Officer

The Chief Executive Officer has executive responsibilities for the operations, results and day-to-day management of the Group. He also recommends strategic developments to the Board for consideration. He is then responsible for the delivery of the strategy and leads the executive management team. The Board has delegated these responsibilities to him, and he is accountable to the Board.

Non-Executive Directors

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

Senior Independent Director

The Senior Independent Director's role is to provide a sounding board for the Chairman and support him in the delivery of his objectives. He serves as a trusted intermediary for the other Directors when necessary and is also available to shareholders if they have concerns which communication via the normal channels of Chairman, Chief Executive Officer or other Executive Directors has failed to resolve, or when shareholders prefer to speak directly to him. He is responsible for evaluating the performance of the Chairman on behalf of the other Directors.

Company Secretary

The Company Secretary supports and works closely with the Chairman, the Chief Executive Officer and the Board committee chairmen in setting agenda items for meetings of the Board and its committees. The Company Secretary is responsible to the Board for ensuring Board procedures are followed, applicable rules and regulations are complied with and that the Board is advised on governance and relevant regulatory matters. In addition, the Company Secretary supports the Chairman in the design and delivery of Non-Executive Director induction programmes. All Directors have access to the services of the Company Secretary.

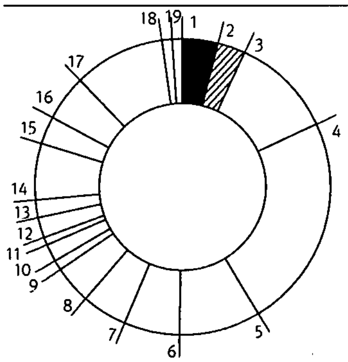
Operation of the Board

The Board has a rolling agenda which ensures that the key strategic, financial, operational, risk, corporate governance and compliance items are appropriately covered at its meetings. It meets at least four times each financial year, meeting seven times in the last financial year with two additional strategy sessions. One of these was held as an off-site strategy day, and the second, six months later, as a follow up session. To ensure that Directors are as fully informed as possible, minutes are circulated from each committee, including the Executive Committee, and each Board meeting includes a report from the committee chairmen as appropriate. The Chairman and Non-Executive Directors meet in the absence of the Executive Directors at least once a year.

Corporate governance report

Each Director committed an appropriate amount of time to their duties during the financial year, and the Non-Executive Directors at least met the time commitment specified in their letters of appointment.

Board allocation of time



Attendance at the Board meetings

The number of full Board meetings attended by each Director during the year is set out below.

	Meetings eligible to attend	Meetings attended
Chairman		
Mike Evans	7	7
Non-Executive Directors		
Christopher Barling	7	7
Shirley Garrood	7	7
Stephen Robertson	7	7
Jayne Styles	7	7
Executive Directors		
Ian Gorham (stood down February 2017)	5	5
Chris Hill	7	7
Philip Johnson (appointed April 2017)	2	2

Board composition and experience

As at 30 June 2017, there were seven Directors on the Board: the Chairman, four independent Non-Executive Directors, and two Executive Directors. The size and composition of the Board is regularly reviewed by the Board and the Nomination Committee to ensure that there is an appropriate and diverse mix of skills and experience.

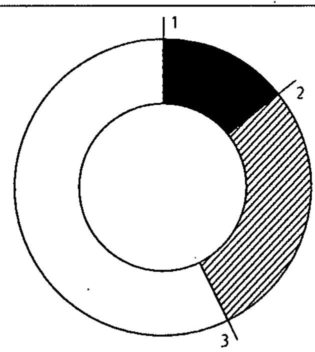
Experience	Number of Directors (Executive and Non-Executive) and Non-Executive Chairman
Company knowledge	7
Industry knowledge	7
Audit and Risk management	7
Investment management	5
Strategy and business development	6
Operational management	5
Technology and digital focus	6

There is an appropriate combination of Executive Directors and Non-Executive Directors such that no individual or small group of individuals can dominate the Board's decision making.

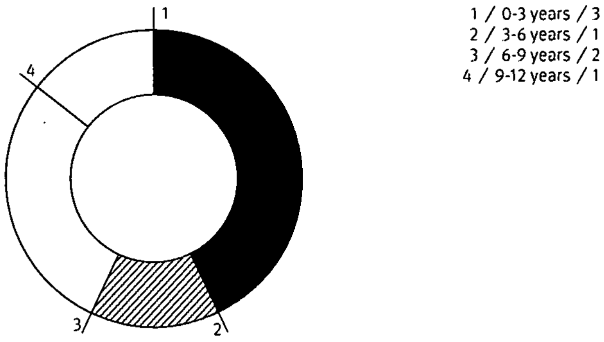
There were the following changes in Board composition during the year:

- Ian Gorham resigned from the Board as Chief Executive Officer on 9 February 2017;
- Chris Hill was appointed Chief Executive Officer on 13 April 2017 having previously held the positions of Deputy Chief Executive Officer and Chief Financial Officer; and
- Philip Johnson joined the Board as Chief Financial Officer on 7 April 2017.

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



Length of tenure of Non-Executive Directors and Chairman



Director independence

The Group is fully compliant with the Code, which requires that at least half of the Board, excluding the Chairman, should comprise Non-Executive Directors who are determined by the Board to be independent. The Code sets out the circumstances that should be relevant to the Board in determining whether each Non-Executive Director is independent and the Board has given due regard to provision B.1.1 of the Code. The Board has considered factors such as the length of tenure and relationships or circumstances which are likely to affect or appear to affect the Directors' judgement in determining whether they remain independent. This review is conducted annually.

The Board has concluded that Stephen Robertson, Christopher Barling, Shirley Garrood and Jayne Styles remained independent in character and judgement throughout the financial year and, subject to any disclosed and approved or authorised potential conflicts of interest, are free from any business or other relationships which could materially affect the exercise of their judgement. Mike Evans was independent on appointment as Chairman. Christopher Barling is the Senior Independent Director.

Conflicts of interest

Directors have a statutory duty to avoid situations in which they may have interests that conflict with those of the Group, unless that conflict is first authorised by the Board. Directors are required to disclose both the nature and extent of any potential conflict or actual conflicts with the interests of the Group.

In accordance with the Companies Act 2006, the Company's articles of association allow the Board to authorise potential conflicts that may arise, and to impose such conditions or limitations as it sees fit. During the year, any potential conflicts were considered and assessed by the Board and approved where appropriate.

Succession planning

The Board uses succession planning to ensure that it has the necessary skills, knowledge and expertise in place to deliver the Group's strategy, and that it has the right balance of individuals to be able to discharge its responsibilities. The Board regularly reviews its composition to enable it to maintain its balance of skills and experience. Any searches for Board candidates, and appointments made, are based upon merit against objective criteria.

The Nomination Committee has specific responsibility for the appointment of Non-Executive and Executive Directors and it recommends new appointments to the Board. It regularly reviews the structure, size and composition required of the Board and makes recommendations to the Board as appropriate. More information on the work of the Nomination Committee can be found in the Nomination Committee report.

Induction

Our Chairman, with support from the Company Secretary, is responsible for preparing and implementing a personalised induction programme for all new Directors, to include guidance as to their duties, responsibilities and liabilities as a Director of the Company. We believe that the best way to learn about a business is to spend time within it, and we encourage new Directors to spend time with our senior managers and executives in a number of business areas and to receive demonstrations of key operations and systems where relevant.

Ongoing professional development

Every Director has access to appropriate training throughout their appointment as Director and we regularly assess the requirement for Director training as part of each Director's annual appraisal.

Our overall objective is to maintain and enhance professional standards for all our employees. We believe that these standards are particularly important for all staff who fall under the scope of the FCA Training and Competence rules. All staff under the scope of these rules are required to perform certain training annually.

Given the rapidly changing environment in which the Group operates, all Directors are given regular updates on changes and developments in the business. The Board is regularly updated on relevant legislative, regulatory or governance changes. Training opportunities are provided through internal meetings, presentations and briefings by external advisers.

Corporate governance report

Information provided to the Board

The Board has full and timely access to all relevant information to enable it to perform its duties effectively. The Company Secretary works closely with the Chairman, Chief Executive Officer and Board committee chairmen to ensure appropriate and timely information flows within and to the Board and its committees, enabling the Board to exercise its judgement and make fully informed decisions when discharging its duties.

The Company Secretary supports the Chairman in setting the Board agenda, and papers are distributed to all Directors in advance of Board meetings via a secure electronic system. Directors receive financial information on the Group on a monthly basis and now receive monthly briefings from the Chief Executive Officer in between meetings.

Director election and re-election

All Directors appointed by the Board are required by the Company's Articles of Association and the Code to be elected by shareholders at the first AGM following their appointment. Accordingly, Philip Johnson is seeking election.

The Code also requires that all other serving Directors will seek re-election at the 2017 AGM. The Board confirms that all individual performance reviews demonstrated that the Directors continue to perform effectively and are committed to their roles.

Board evaluation

The Code and the Financial Reporting Council's guidance on Board effectiveness recommend that the annual performance review of the Board should be externally facilitated every three years. Independent Audit were engaged by the Board to perform an externally facilitated review in 2015, and the subsequent reviews in 2016 and 2017 were led by the Chairman.

Following the 2016 review the Board has made good progress against its agreed actions, and all actions are either achieved in full, are ongoing requirements or, for one action, would not be proceeded with.

The 2017 review was presented, discussed and approved by the Board in June 2017, following individual one-to-one discussions between each Director and the Chairman. The key theme emerging from the review was that whilst good progress had continued to be made, there is still further work to be done to ensure that information received by the Board is of the highest quality and so prompts the appropriate levels of discussion and challenge. The detailed strategy and implementation plan was approved by the Board in August 2017 following a well structured strategy day in June. This plan is the backbone around which performance can be measured and agendas framed, with a follow up session planned for December 2017.

Each Director is subject to an individual appraisal annually. The Chairman reviewed the performance of the Chief Executive Officer and the Non-Executive Directors, and the Chief Executive Officer reviewed the Chief Financial Officer. The Non-Executive Directors, led by the Senior Independent Director, carried out an appraisal of the Chairman. All the appraisals concluded that the Board continues to perform effectively and individually, with all the Non-Executive Directors continuing to have sufficient time availability to meet their commitment to their roles.

Engagement with shareholders

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

In addition to this, the Chief Executive Officer and Chief Financial Officer meet with institutional investors after results announcements, upon request or on an ad hoc basis during the year. They, together with the Company Secretary and Head of Investor Relations, also provide a point of contact for investors who wish to raise questions, queries or concerns. During the year, the Chairman and Christopher Barling, our Senior Independent Non-Executive Director, met with a number of our larger shareholders and key investors.

Following dialogue with individual institutional shareholders, the Chairman, Chief Executive Officer and the Chief Financial Officer all ensure that the Board is fully briefed on shareholders' views such that any issues or concerns are fully understood and considered. Analyst and broker briefings are regularly provided to the Board. In addition, the Group's brokers sought feedback from investors following the 2016 final and 2017 interim results, and this feedback was reported to the Board. Shareholders have also been fully engaged in the changes to the Remuneration policy, further details of which are contained within the Remuneration Committee report, and which is being put to the shareholder vote at our AGM on 11 October 2017.

AGM

The AGM provides the Board with the opportunity to communicate with shareholders and we welcome and encourage their participation at the meeting. All Directors make themselves available to meet shareholders at our AGM and they value the opportunity of welcoming individual shareholders and other investors to communicate directly and address their questions.

The Company sends the Report and Financial Statements and notice of the AGM to shareholders, or makes them available on the Group's website, at least 20 days before the date of the meeting. The Notice of AGM sets out a clear explanation of each separate resolution on each discrete subject. Resolutions are proposed on each subject and all resolutions are put to a poll. The number of proxy votes for, against and withheld for each resolution are displayed at the meeting. Where the resolutions were to appoint or re-appoint Directors, the votes were shown with and without the votes of the controlling shareholder (Peter Hargreaves). Votes received at the AGM are added to the proxy votes and the final results are published through the Regulatory Information Service. There is a Relationship Agreement in place between Peter Hargreaves and the Company to ensure that the independence provisions as set out in the Listing Rules are complied with. The terms of the agreement have been fully complied with during the year. Following the AGM, the results of voting are published through a Regulatory Information Service and on our website.

Other information

Certain additional information in relation to the Company's share capital, the powers of Directors and amendments to its Articles of Association that is required to be disclosed pursuant to DTR 7.2.6 may be found in the Directors' report.

Risk governance

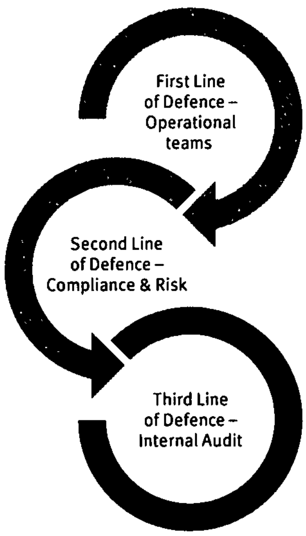
Hargreaves Lansdown manages risk at a consolidated level, ensuring all categories of risk are covered. The Group's risk framework and the internal controls framework are designed to manage risk within agreed appetite levels and aligned to delivering both the Group strategy and fair outcomes for our clients.

Internal controls and risk management

Internal controls

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

Figure 1: Three lines of defence model



The Internal Control Framework is 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 HR, Financial Promotions, Compliance Monitoring, Client Protection, Financial Crime and Data Protection teams. Independent oversight of the internal controls of the business is the responsibility of the 'third' line, the Internal Audit function.

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

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

The Board considers acceptance of appropriate risks to be an integral part of business and unacceptable levels of risk are avoided or reduced and, in some cases, transferred to third parties. Internal controls are used to identify and manage, rather than eliminate, the risk of failure to achieve our business objectives. 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 risk management and internal controls and this is presented to the Risk Committee.

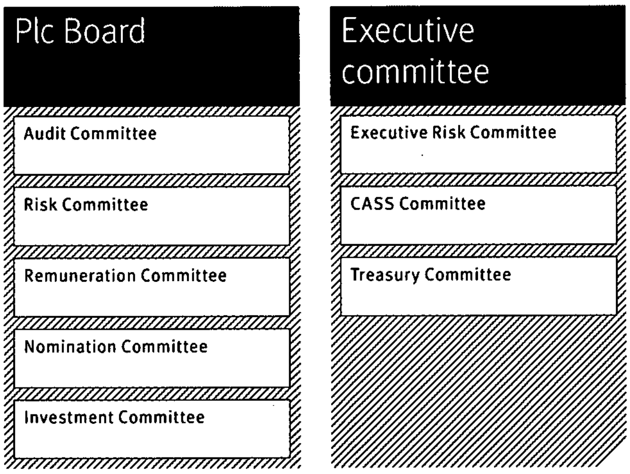
The Board believes that the ongoing process for identifying, evaluating and managing principal risks to achieving the Group's strategic objectives works effectively. The process was in place for the year ended 30 June 2017 and up to the date of approval of the Report and Financial Statements. In this context the review, in the opinion of the Board, indicates that the system of internal controls did not indicate that the system was ineffective or unsatisfactory and the Board is not aware of any change to this status up to the date of approval of this Report and Financial Statements.

Governance of the risk and control framework

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

Key governance committees relating specifically to the maintenance and oversight of the risk and control environment are the Executive Committee, the Executive Risk Committee (ERC), CASS Committee, the Risk Committee, the Audit Committee and the Investment Committee. It is understood by the Chairs of all committees, both Board and Executive, that risk is a core theme which is evident in all committee discussions.

Figure 2: Board and Executive Committees



Risk framework

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

The Hargreaves Lansdown risk framework comprises a number of elements. The Group has an ongoing process for identifying, evaluating and managing the principal risks that it faces across the risk universe based upon risk appetites and monitoring via the risk reporting process.

Risk management process

The departmental risk register process is the foundation of the Group's risk framework. Each functional business area completes a risk assessment in the form of a risk register and this is reviewed alongside the ongoing control performance assessment to ensure the adequate capture of ongoing and emerging risks to the business. The departmental risk assessments are facilitated by the Group's risk team and involve all risk materials being reviewed with risk owners against key risk indicators (KRIs) and tolerances. The risk owners also have to consider any relevant operational losses that have occurred, as well as any current system, people or process changes within the department. Where controls are seen to be insufficient, management is required to define improvements to the control environment to ensure they pose an acceptable level of risk to the Group. Identified risks that have a sufficiently high likelihood of potential impact on the Group are reflected in the Risk Dashboard to ensure they receive a suitably high level of Executive and Board attention. The Board takes action where the risks are outside of tolerance levels or may become so.

Risk governance

Risk universe

Hargreaves Lansdown has a comprehensive risk framework (see Figure 3), capturing both forward-looking risks (executive risks) and current business as usual risks (departmental risk). The executive risks are made up of two risk sets: strategic and emerging. The departmental risks are the consolidated view of the risks to which the business area is currently exposed (and would impact business as usual) and are managed in the course of normal business activity. Risk materials are reviewed by the Board and executive management teams on a rolling basis with support from the second line business functions.

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 both top-down and bottom-up with clear ownership. 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 Board has agreed risk appetite statements and risk tolerance levels. The appetite statements cover all areas of the risk universe and KRIs are agreed accordingly. The Board monitors and manages the principal risks within the risk and control framework. Through the use of the risk framework, the business balances risk and reward within the capital adequacy levels agreed within the risk and control governance framework by the Board under the ICAAP regime.

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

Risk reporting process

Risk universe data is reported on a monthly basis at the ERC and at every Risk Committee by the risk team, ensuring that there are appropriate levels of transparency, discussion and challenge of risks and mitigation. The risk data reported is based on the management information provided by departments as well as cross department functions such as second line Compliance and Risk 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; CASS Oversight, Operational Control and Revenue Recognition and IT Security. In the second line, the Compliance and Risk function includes teams focussed on anti-money laundering, fraud, compliance advice, data protection, compliance monitoring and risk. This means risks can be viewed from a departmental view, as well as by themes across the functions in the Group.

Risk dashboard

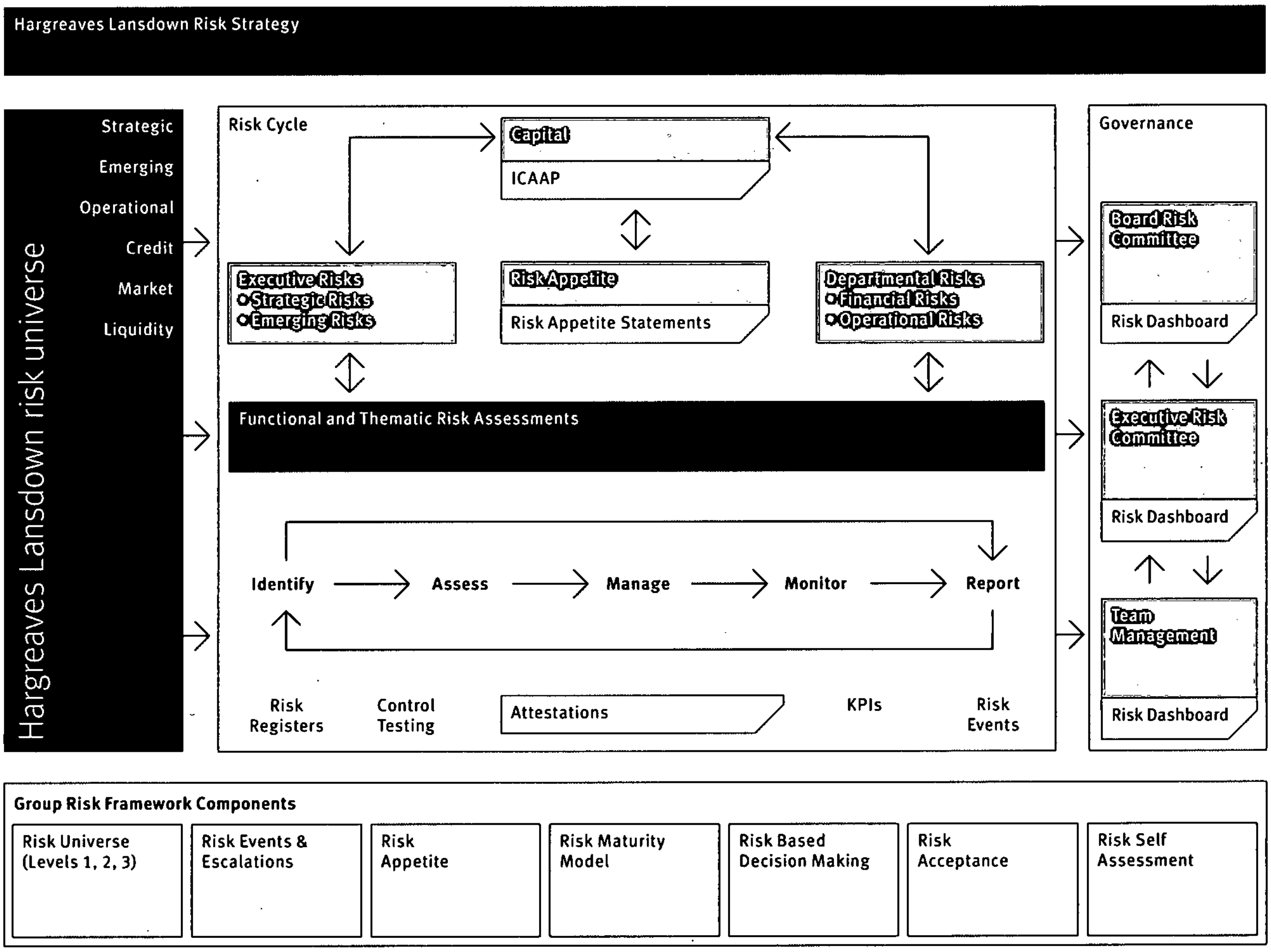
A risk dashboard is produced monthly by the risk team. The dashboard is central to the agendas at both the Board Risk Committee and the Executive Risk Committee and reports on all the core elements of risk management, including; risks, risk appetite and risk events. Risk data is also reviewed in local management meetings.

Internal Capital Adequacy Assessment Process (ICAAP)

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. ICAAP compliance is overseen by the Risk Committee, with day-to-day management of compliance overseen by the second line risk team.

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

Figure 3: Risk Framework and reporting schematic



Audit Committee report

Dear shareholder

It has been a busy year for the Audit Committee during which we have worked closely with the Risk Committee to ensure the Group maintains a robust control environment. In particular, we have focused on preparation for the FRC's new CASS audit standard, overseen the Group's rationalisation plans, the integrity of the financial reporting process and reviewed the work of both external and internal audit. The Committee also devoted considerable attention to the findings of the FRC's review of the 2016 Annual Report.

The Committee has been actively engaged through the year with a number of important personnel changes in the executive leadership, Finance and Internal Audit teams. I am encouraged by the additional financial services and public company experience which we have brought into the business, and the positive tone from the top that they are communicating and embedding in their teams.

I am also pleased with the progress made in this year's Report and Financial Statements to improve the quality of the document, its look and feel, and particularly the evolution of the financial statements to align with more modern practice and improve their accessibility.

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

Role of the Audit Committee

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

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

Audit Committee – membership and attendance

The Audit Committee meets at least four times each year, there were five scheduled meetings during the financial year and additional ad hoc meetings where required. The attendance by each Director is set out in the table below. I chair the Committee and its other members at 30 June 2017 were Christopher Barling, Stephen Robertson and Jayne Styles.

The FRC has recently updated the Corporate Governance Code to place a requirement upon audit committees to have relevant industry experience and expertise. The Committee has considered this point and can confirm that it does meet the requirement as both Shirley Garrood and Jayne Styles have significant experience of the asset management sector and wider financial services industry.

The Corporate Governance Code also requires at least one member to have recent and relevant financial experience; this requirement is fulfilled by the Committee Chairman. Membership of the Committee is regularly reviewed by the Committee Chairman with any recommendations for appointment being made to the Nomination Committee to present to the Board. Appointments are made for a three-year period and can be extended for no more than two additional three-year periods. No new appointments were made to the Committee during the year.

The Chairman, Head of Internal Audit and Chief Financial Officer are routinely invited to, and attend, the majority of meetings. However, the Committee reserves the right to ask any of these individuals to withdraw. The external auditor also attended all meetings. The Committee also meets privately with the Head of Internal Audit and the external audit team through the year.

The members of the Audit Committee at 30 June 2017 and attendees at the five Committees held during the 12 month period were:

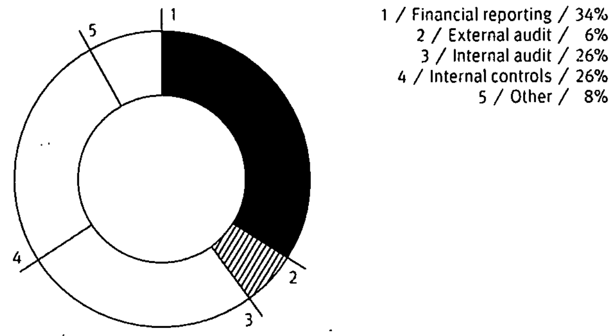
	Meetings eligible to attend	Meetings attended
Chairman		
Shirley Garrood	5	5
Members		
Christopher Barling	5	5
Stephen Robertson	5	5
Jayne Styles	5	5

In addition to the formal schedule of meetings, the Committee Chairman maintains regular contact with the CEO, CFO, Head of Internal Audit, Group Director of Risk and Compliance and the external auditor's senior engagement partner.

Ongoing training is provided to help committee members perform their duties, this may include attendance at formal conferences, briefings by specialist Hargreaves Lansdown staff and briefings by external accountancy firms.

Overview of activities during the financial year

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



The table below details the key topics addressed at each meeting:

Topic	Aug	Nov	Jan	Apr	Jun
CASS	•	•	•	•	•
Internal audit	•	•	•	•	•
Internal controls	•	•	•	•	•
Tax strategy	•			•	
External audit	•	•	•	•	•
Review of results	•		•		
Whistleblowing	•			•	•

Financial reporting

On behalf of the Board, the Committee, with support and input from the external auditor, has examined the Report and Financial Statements, interim financial statements and the trading updates, together with the related disclosures, application and consistency of accounting policies and the financial reporting process. This examination has included the review, consideration and approval of the Report and Financial Statements, the viability statement and the going concern statement. There has been an emphasis on ensuring that these are fair, balanced and understandable.

The integrity of the Report and Financial Statements is underpinned by the control environment. The review of risk management systems is conducted by the Risk Committee (as outlined in its Terms of Reference). However, the Audit Committee continues to review those key controls where a failure could impact the integrity of financial record-keeping, reporting and disclosure. In this regard, the Committee has considered risk and control reports from the Head of Internal Audit, the Chief Risk Officer and the Group Director of Risk and Compliance and satisfied itself that the integrity of the control environment supporting the financial reporting and disclosure process is appropriate.

Audit Committee report

During the year, the Group received correspondence from the FRC's Corporate Governance & Reporting division in relation to a review of the 2016 Annual Report. The FRC made four observations as to how the Group could improve future reporting and these have been considered in the drafting of the 2017 Report and Financial Statements.

As a result, minor changes to the presentation of earnings per share, share-based payments, disclosure of material balances separately and interests in unconsolidated structured entities have been incorporated. No matters contained within the letter remained open at 30 June 2017.

Significant financial judgements and financial reporting for 2017

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 has considered the following key areas:

Revenue

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

Capitalisation of intangible assets

The Group continues to invest in the Active Savings proposition. Once developed, the Group expects there to be a long-term 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 2017, £3.7 million has been capitalised in respect of the Active Savings platform. The Committee also reviewed and agreed the £1.2 million impairment of previously capitalised intangible assets relating to the peer-to-peer development following the Group's decision to cease this activity in June 2017.

Goodwill

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

Share-based payments

The Committee reviewed the key assumptions used for the valuation of options relevant to the Company's share-based incentive schemes and the performance period over which fair values are amortised. It also ensured these were all appropriately accounted for in the 2017 Report and Financial Statements. The Committee has also discussed the likely vesting outcomes for the 2014 and 2015 Directors' LTIP based upon the performance criteria set.

Segmental reporting

In the current period, consideration has been given to the nature of the operating segments previously disclosed and it is the view of the Committee that there is in fact only one segment reported to the Chief Operating Decision Maker, being the Group – a direct-to-investor investment service administering investments in ISA, SIPP and Fund & Share accounts, providing services for individuals and corporates. It was considered that segmental reporting, as previously presented, did not provide a clearer or more accurate view of the reporting within the Group and hence the business has been reported as one unit in the 2017 Annual Report.

Review of the Report and Financial Statements

The Board has asked the Committee to review the Report and Financial Statements prior to publication. This was undertaken prior to and at the August 2017 meeting by satisfying ourselves that there was a robust process of challenge, examining reports from both management and the external auditor relating to the Report and Financial Statements, and reviewing consistency with internal reports presented to the Board by management, the CFO, Head of Internal Audit, Group Director of Risk and Compliance and Chief Risk Officer during the year. After challenge, debate and consideration of all relevant information, the Committee concluded that it could recommend to the Board that the 2017 Report and Financial Statements is fair, balanced and understandable and provides shareholders with the information necessary to assess the Group's position and performance, business model and strategy in an understandable manner.

Viability statement

The Committee has assessed the viability of the Group over the three year period to June 2020 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.

External audit

The Committee has primary responsibility for the Group's relationship with the external auditor and for monitoring their independence, objectivity and compliance with ethical and regulatory requirements.

During the year, the Committee reviewed and approved an updated policy regarding the use of the external auditor for non-audit services. The policy ensures that external auditor independence is maintained when considering whether it is appropriate for the external auditor to be appointed by the Company to undertake work outside of the scope of their usual and specific annual audit.

The proportion of non-audit to audit fees during the year was 54% (2016: 25%) which remains within the limits set by the EU Audit Reform Directive. The Committee also considered performance against the 2016 audit plan and approved modest overruns. Both the Finance team and the external auditor have taken actions to avoid repetition in 2017.

There were £241,000 of non-audit fees during 2017 (2016: £153,000). £160,000 of this amount related to the FCA-mandated assurance reporting of subsidiaries regulated under the CASS rules (2016: £100,000), £33,000 related to the profit-verification work to enable payment of dividends in line with the established timetable (2016: £39,000), £25,000 related to the interim review (2016: £14,000) and £23,000 related to additional assurance services. Fees for the statutory audit for 2017 were £150,000 (2016: £212,000).

PwC is the Group's auditor having been appointed following a formal tender in 2013. Alex Bertolotti was the lead audit partner throughout the financial year, having been appointed during the prior year. In line with the EU audit regulation requirements, Hargreaves Lansdown will be required to undertake a formal tender process at least every ten years and hence this will be required by 2023. In addition, the Senior Engagement Partner is required to be replaced every five years in accordance with the regulation. The Group has complied with the provisions of the Competition Markets Authority Order 2014 throughout the year under review and as at the date of this report.

The Committee has reviewed the effectiveness of the external auditor by means of a questionnaire and an assessment of performance against relevant external guidance. We continue to believe PwC conducts its audit work to a high standard, remains independent and objective as demonstrated by consideration of the quality, experience, continuity and training of the audit team. The Committee has therefore recommended to the Board that a resolution is put to shareholders recommending PwC's reappointment and their terms of engagement and remuneration at the AGM of the Company. This will continue to be assessed on an annual basis.

The external auditor will be asked to attend the AGM and will be available to answer shareholders' questions about the audit and their report.

Internal Audit

The Committee assists the Board in fulfilling its responsibilities through its oversight of the adequacy of resourcing and plans of the Internal Audit department. Historically, Internal Audit presented its risk-based audit plans to the Audit Committee twice a year for prioritisation and approval. Following discussions with the Audit Committee, the Internal Audit team now present their plan to the Audit Committee for approval on a quarterly basis allowing greater flexibility and the ability to respond to perceived risks as they arise.

Internal Audit are currently implementing a set of standard culture tests as part of each audit, that will specifically assess client focus, ethics and integrity, risk awareness and employee engagement. The assessments will be shown in the executive summary of each audit report and on an annual basis each assessment will be pooled and used by Internal Audit to provide an independent view on the culture of the Group.

The Institute of Internal Auditors recommends that an external review of the Internal Audit function is carried out no less than every five years. To this end, in September 2016 the Audit Committee engaged Protiviti to conduct an assessment of the Internal Audit function. The review, confirmed that the Internal Audit team are "generally conforming" to the standards laid out by the Institute of Internal Auditors. This is the highest rating in the standard, but also highlighted areas where minor enhancements could be made. The Committee are pleased to report that these improvements have been made.

During the year, the Audit Committee has been involved in the selection of a new Head of Internal Audit with the appointment being made in July 2017. This was as a result of the former Head of Internal Audit moving to a senior, controls-focused role within the Group's operations team. The Committee welcome this additional resource being applied to a vital area of the business.

Internal controls

The Committee received a report from the Risk Committee with its conclusions on the design and effectiveness of the Group's risk management systems. The Committee considered this alongside a report from the Head of Internal Audit on the effectiveness of internal controls and demonstrating management responsiveness in addressing issues identified. The Committee has also reviewed an assessment of the effectiveness of the Group's fraud risk controls.

The Committee receives reports at each meeting from Finance, the CASS Oversight team and Internal Audit. The Committee challenged the key executives on the content and veracity of those reports. Overall, the Committee is satisfied that there are appropriate arrangements, actions or mitigating controls in place.

The year ended 30 June 2017 is the first year for which the Group will need to be audited under the FRC's new standard regarding CASS assurance reports. The FRC has introduced this new standard to improve the quality and consistency of reporting and assurance around client assets across the financial services industry. The Committee has also devoted time to reviewing the Group's rationalisation plans, intended to achieve increased efficiency across the Group in relation to shared client money protection controls and activities. The Committee has discussed the substance and the impact of these changes and approved the way in which they have been dealt with.

Audit Committee report

Audit Committee effectiveness

Following last year's review the following steps have been taken to improve the effectiveness of the Committee further:

- Drafts of the front half of the Report and Financial Statements were provided to the Committee in more advanced form, to allow review, challenge and input. This was in response to a wider move to bring forward the Group's reporting date; and
- The Committee has continued to oversee and provide challenge to the Group's control framework.

The Committee has chosen to review its effectiveness by means of a self assessment questionnaire this year. The results show that the Committee believes it is operating effectively and working as expected.

Signed on behalf of the Audit Committee.

Shirley Garrood
Chairman of the Audit Committee

14 August 2017

Why I chose drawdown from Hargreaves Lansdown

Mrs Hines from Gloucestershire

"I love the freedom I have with my HL drawdown account. I can do almost everything online, which is a great convenience. Being able to take a flexible income allows me to make the most of my tax allowances. I tally up how much I receive from other income sources and decide how much to withdraw.

Keeping control of my pension means I can take advantage of investment opportunities as they arise. The plentiful research and expert comment available through the HL website is a great help with this, plus it's really easy to monitor my investment performance online.

I'm very pleased I chose Hargreaves Lansdown to provide my drawdown pension. I would not hesitate to recommend them to anyone who wishes to move their investments to a professional, innovative and value for money service."

Investment Committee report

Dear shareholder

I am pleased to present the Investment Committee's report for 2017. As from 1 August 2016 the Committee became a full committee of the Board, having previously been a responsibility of the Executive Committee. The Committee was established to provide oversight of the investment part of the Group, including its governance and product offerings. Over the period, the Committee has received information from the investment business regarding the Group's investment product range and performance, as well as information relating to the controls framework and risks.

The Committee has also overseen the launch of the new HL Select funds and continues to provide challenge to the executive team in relation to all aspects of the investment business.

Role of the Investment Committee

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

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

Investment Committee – membership and attendance

The Committee meets at least four times a year, there were four scheduled meetings during the year and additional ad hoc meetings where required. I chair the Committee and its other members at 30 June 2017 were Stephen Robertson, Lee Gardhouse (Chief Investment Officer), Ian Hunter (Marketing Director) and Rob Byett (Risk and Compliance Director). The Research Director also routinely attends meetings.

The members of the Committee at 30 June 2017 and attendees at the four committees held during the 12 month period were:

	Meetings eligible to attend	Meetings attended
Chairman		
Jayne Styles	4	4
Members		
Stephen Robertson	4	4
Non-plc director members		
Rob Byett	4	4
Lee Gardhouse	4	4
Ian Hunter	4	4
Stuart Louden (stood down September 2016)	1	1

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

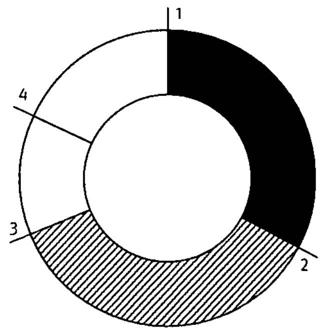
Main activities during the year

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

- Risk and compliance, including monitoring of conflicts of interest, and challenge to the policies, such as personal account dealing, as well as review of regular risk updates from the Group's risk function. Liquidity calculations and testing for the HL Multi-Manager funds have been challenged, and the Committee has also provided challenge in respect of the life styling process for corporate clients;
- Consideration of investment team updates, which cover HL Multi-Manager fund performance information, as well as information about the performance of the HL Select funds, PMS, HL Portfolio+, Wealth 150, Master Portfolios and Foundation Portfolios. The updates also include market information, and oversight of the communication process to clients in respect of Hargreaves Lansdown's investment products, particularly in respect of the new HL Select fund launches. The Committee also reviewed the flows of business into and out of the Group's investment offerings;
- The Committee received and discussed a gap analysis that considered whether there are any products being offered which do not fully satisfy our clients' requirements, and whether there were any further products which could be offered to further enhance our clients' experience; and
- Challenge and oversight of the HL Select Equity fund launches, and for providing a recommendation to the Board regarding the launch of the new products.

Investment Committee allocation of time

The chart below provides an illustration of the approximate percentage of time spent by the Committee on various matters during 2016/17:



1 / Investment Team reports / 33%
2 / Risk & Compliance / 36%
3 / Governance / 13%
4 / Product offerings / 18%

Signed on behalf of the Investment Committee.

Jayne Styles
Chairman of the Investment Committee

14 August 2017

Strategic report
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Annual statement by the Chairman of the Remuneration Committee

Dear shareholder,

I am pleased to present the Remuneration Committee's report for 2017.

During this year, the Committee has continued to evolve our approach to executive remuneration. In last year's report we described changes in the way we were applying our current Remuneration Policy (notably the decision not to make further awards under our existing LTIP). We have further developed our approach, culminating in the revised Remuneration Policy now being presented for approval.

This year has also seen a number of changes to our executive leadership, with the appointment of a new Chief Executive Officer (CEO) and Chief Financial Officer (CFO), and so the Committee has sought to determine appropriate packages for these individuals.

Business context in 2017

As discussed in the Strategic report, this year has seen a strong performance across our business. While asset gathering was impacted during a period of weak investor confidence during the first half of the year, we still increased our market share in both the platform and share dealing markets. The breadth of our offering then allowed us to deliver significant growth during a period of improving confidence in the second half of the year. Our marketing efforts on the back of the launches of the CF Woodford Income Focus Fund and our HL Select UK Income Shares Fund, the new higher ISA allowance from April 2016, the launch of our Lifetime ISA and further development of our digital marketing presence, all increased flows into the business, meaning that we have increased our client base, the value of assets under administration, and our market share. Importantly, client service standards were maintained throughout the period. This growth has translated into a strong financial performance, with net revenues and profit up year-on-year.

We have also made important progress on a range of strategic initiatives that will drive future growth.

The Committee considers that these results have been the result of a strong performance from our leadership team. Through a consistent focus on putting the needs of our clients first, our Directors have delivered results to the benefit of the Company and our shareholders and this has been reflected in their remuneration for the year.

Review of Remuneration Policy

Over the last year, we have been examining our approach to remuneration. Our purpose has been to simplify our incentives and ensure that how we pay is more closely aligned with the performance of the Executive Directors and the value we deliver to our clients and shareholders.

Relentless focus on our clients and their needs, combined with an ability to get things done, are two key elements in our success. The challenge for the Executive Directors is to balance the delivery of our service standards in a fast growing business with our desire to both maintain our scalable operating platform and invest in further long-term growth opportunities. This balance of short-term performance with longer-term investment and growth has been central to the debate within the Remuneration Committee over the last year. Our objectives for the new policy have been to incentivise in a similarly balanced manner across both the short and long-term, enabling us to reward strong stewardship of the business today and for the future and to align executives' interests with those of shareholders over the longer term.

The Committee recognised that the previous Long Term Incentive Plan was not as effective in achieving this outcome as had been intended. The scheme did not result in directors building up a long term shareholding and hence long term alignment with shareholders. Furthermore, the scheme did not act as an incentive, had no retentive draw and did not influence behaviour. The Committee concluded that the proposed Sustained Performance Plan would enhance the alignment of directors with shareholders.

We have listened to the external debate on the structure of executive remuneration, and have noted the conclusions of the Investment Association Executive Remuneration Working Group in June 2016, as well as the recent BEIS Select Committee Report that alternatives to typical LTIPs may be used where more appropriate. This, combined with our own consideration of what is most appropriate for this organisation, has led to us wanting to simplify our approach to long-term incentives.

We have delivered this balance through retaining an annual performance bonus with a strong focus on rewarding short-term performance and through greater deferral of annual bonuses into Hargreaves Lansdown shares, a proposed new approach to long-term incentives and by increasing the minimum shareholdings which our Executive Directors will need to build.

We propose to:

- Adopt a new five year Sustained Performance Plan to replace our three year LTIP. Under this plan, executives will receive a conditional award of nil cost options with a face value of up to half times base salary each year, subject to underpinning performance conditions measured over five years; in comparison, the previous LTIP had a maximum grant of two and a half times base salary albeit of market priced options;
- Reduce the maximum annual bonus payable under the policy from five times base salary to three and a half times base salary and increase the level of deferral from 30% to 40% of any bonus earned. This deferral will be wholly in nil cost options; and
- Increase the minimum shareholding guideline for our Executive Directors from two times base salary to three times base salary, to be built up over six years.

The Chairman of the Company and the Chairman of the Committee routinely engage with shareholders on matters of remuneration, to listen to and take into account their views. This activity was increased in the year given our review and, as a result of this engagement with shareholders on the proposed changes, the maximum annual bonus opportunity for Directors was further reduced from an original proposal of four times salary to three and a half times salary and the minimum shareholding requirement was increased from two times to three times base salary.

Further details of these changes are set out in our revised Remuneration policy.

The Committee continues to be satisfied that the structure of the remuneration package ensures appropriate consideration is given to environmental, social and governance issues, does not incentivise inappropriate risk taking and will continue to ensure that there is no reward for inappropriate behaviour demonstrated by any Executive Director.

Executive Director changes

As previously announced, Ian Gorham stepped down as CEO in February 2017. He will remain with the Group until 30 September 2017 to ensure a smooth transition, and his existing conditions of employment will continue in accordance with his service contract until this date. Mr Gorham's bonus for this year has been pro-rated to reflect the period for which he was in post as CEO. Full details of this, and his remuneration for the year are set out in the annual report on remuneration.

Chris Hill was subsequently appointed as CEO and Philip Johnson as CFO. Chris Hill's base salary on appointment was £600,000 per annum and Philip Johnson's was £425,000 per annum. Neither base salary will be increased from 1 July 2017. No awards were granted to Philip Johnson on joining.

Remuneration outcomes for 2017

The Committee considered in detail the Group's performance over the year in determining the level of bonuses to be awarded to executives. At a Group level, this reflected above-target performance for growth measures, on-target performance for client measures and below-target delivery of strategic goals. Performance against individual objectives has also been considered. In light of the strong financial performance for the year and reflecting achievements against the targets set, bonuses have been awarded at an above-target level.

The bonuses paid to each Executive Director have been pro-rated to reflect their time in role. For Ian Gorham, his bonus is based on his seven months as CEO. Chris Hill's bonus has been determined to reflect the periods of the year spent as CFO, Deputy CEO and CEO. Philip Johnson's bonus has been pro-rated to reflect the time he has been with the business in the year.

Further details as to how bonuses have been determined are set out in the annual report on remuneration.

The Committee has reviewed the performance criteria set for the 2014 LTIP grant and has determined that none of the awards will vest over the three year period ending 30 June 2017.

Contents of this report

On the following pages we set out:

- Our revised Directors' Remuneration Policy which we will be asking shareholders to approve at our AGM on 11 October 2017; and
- The annual report on remuneration. This will be subject to an advisory vote at the AGM.

An additional vote will be held to approve the new Sustained Performance Plan.

I commend this report and our revised Remuneration Policy to you for approval.

Christopher Barling
Chairman of the Remuneration Committee

14 August 2017

Directors' remuneration policy

The tables below summarise the main elements of the remuneration package for Directors and will be effective from the date approved by shareholders in 2017 until shareholders next consider and vote on the policy (intended to be three years from the date of approval).

The Company's policy is designed to ensure that remuneration supports the Company's strategic objectives, is appropriately positioned against the external market, and provides fair rewards which will attract, retain and motivate individuals of the calibre required to run a group of the scale and complexity of Hargreaves Lansdown.

The policy is divided into separate sections for Executive and Non-Executive Directors.

Executive Directors

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

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

Directors' remuneration policy

Changes from previous policy
The following changes have been incorporated within the Remuneration Policy compared to the previous policy approved by shareholders on 24 October 2014:

- Base salary – we have now stated that this 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. Previously there was no formal link to the average of relevant staff increases;
- Annual bonus – the maximum opportunity has been reduced from five times base salary to three and a half times base salary. A commitment has been made to a higher level of disclosure, including advance disclosure of on-target bonus opportunities as a percentage of salary;
- Annual bonus deferral – the level of deferral required has increased from 30% to 40% of total bonus. Deferral is now wholly into nil cost options whereas previously it could optionally be deferred entirely into cash;
- Sustained Performance Plan – under this new plan, annual awards of nil cost options of up to half times base salary will be granted, with a five year vesting period. This replaces the previous LTIP under which market value options of up to two and a half times base salary with a vesting period of three years were granted annually until 2015;
- Shareholding guideline – has increased from two times base salary under previous policy to three times base salary;
- Pension – employer pension contributions will be increased from 4% to 5% of salary for all employees from 1 October 2017. A new matching arrangement for employee pension contributions will also apply from this date; and
- The section of the policy entitled 'Special arrangements for Founding Executive Directors' has been removed from the policy as Peter Hargreaves is no longer a member of the Board.

Legacy arrangements
For the avoidance of doubt, this Directors' Remuneration Policy includes authority for the Group to honour any commitments entered into before the Directors' Remuneration Policy came into effect.

Changes in legislation or regulation
Authority is given for the Group to comply with all prevailing legislation and statutory regulation both current and future, making the minimum changes to this policy in order to comply.

Approach to recruitment remuneration
The Committee will set a remuneration package for new Executive Directors determining the individual elements of the package and the total package, taking account of the skills and experience of the candidate, the market rate for the role, and remuneration levels across the Group, respecting maximum levels for variable pay referred to in the appropriate policy table.

Additional cash and/or share-based awards on a one-off basis may be made as deemed appropriate by the Committee if the circumstances require taking into account pay or benefits forfeited by a Director on leaving a previous employer. The Committee has the discretion to make such awards under the Unapproved Share Option Plan 2012 or the Sustained Performance Plan and in excess of the salary limits contained therein, or as permitted under Rule 9.4.2 of the Listing Rules (which allows companies to make one-off share awards in exceptional circumstances, including recruitment). Such awards will, as far as possible, maintain consistency with the awards forfeited in terms of type of reward (shares or cash), expected value, time horizons and whether they were subject to performance criteria. Other payments may be made for relocation expenses, recruitment from abroad, legal costs, other costs or benefits forfeited by an individual being recruited. No of payment made on appointment will be deemed to be included within the aggregate Executive bonus cap calculation.

Service agreements and loss of office payments
All Executive Directors have a service contract which reflects the approved policy in force at the time of appointment. The service contracts for all Directors in post are available for viewing (on the giving of reasonable notice) at our registered office during normal business hours and both prior to and at the AGMeeting. Under the terms of the Company's Articles of Association, all Directors are subject to annual re-election by shareholders.

Our policy is that service contracts do not have a specific duration but may be terminated with 12 months' notice from the Company or the Executive Director.

The service contracts contain no provision for liquidated damages for compensation on termination, except for those set out in the table below. The service agreements contain provisions for payment in lieu of notice in respect of base salary and pension contributions, but these are at the Company's sole discretion.

The Committee has a policy framework for payments for loss of office by an Executive Director, both in relation to the service contract and incentive pay, which is summarised opposite. The approach of the Company on any termination is to consider all relevant circumstances, including the recent performance of the Executive Director, and to act in accordance with any relevant rules or contractual provisions.

Nature of termination	By Executive Director or Company giving notice (excluding special circumstances).	By Company summarily.	Good leaver: leaving by reason of death, ill health, injury or disability, redundancy, retirement with the agreement of the Committee, the sale of employing business or company, or other special circumstances at the discretion of the Committee.
Base salary, pension and benefits	Paid until employment ceases.	Paid until employment ceases.	Paid until employment ceases or for notice period (subject to mitigation) depending on the reason for cessation. Discretion for Company to pay salary, pension and benefits in a single payment or in monthly instalments.
Annual bonus	No entitlement to annual bonus for that financial year.	No entitlement to annual bonus for that financial year.	Cessation during the financial year or after the financial year end, but before payment date, may result in bonus being payable subject to performance (pro-rated for the proportion of the financial year worked unless the Committee determines otherwise).
Deferred bonus award	Deferred bonus awards lapse when employment ceases.	Deferred bonus awards lapse when employment ceases.	Vested unexercised, and unvested deferred bonus awards, may vest and be exercised in accordance with normal terms. Committee has discretion to determine awards which vest when employment ceases.
LTIP awards	Vested unexercised, and unvested long-term incentive awards lapse when employment ceases.	Vested unexercised, and unvested long-term incentive awards lapse when employment ceases.	Awards vest in accordance with original terms or Committee may determine awards to vest early subject to performance at the date when employment ceases. In either case, the Committee will pro-rate award to reflect performance period that has been worked, except in the case of serious ill health or death when no pro-rating will apply.
Sustained Performance Plan (SPP) awards	Within first three years of award, unvested awards lapse when employment ceases. After three years from awards, unvested awards will continue to vest in full on the original terms subject to achievement of the performance underpins.	Vested unexercised, and unvested SPP awards lapse when employment ceases.	Within first three years of award, unvested awards will vest in accordance with the original terms, on a pro-rata basis for the period of time served as a proportion of the initial three years, subject to achievement of the performance underpins. After three years from awards, unvested awards will continue to vest in full on the original terms subject to achievement of the performance underpins.
Other payments	None.	None.	Possible disbursements such as legal costs, outplacement services and the cost of a settlement agreement.

Provisions on a takeover and other corporate events

In the event of a takeover or other corporate event, the Committee shall determine the amount (if any) of any bonus payable taking into account any applicable performance targets that have been achieved and any such factors as it considers appropriate given the curtailed performance period.

Deferred bonus awards and outstanding LTIP and Sustained Performance Plan awards will vest at that time subject to satisfaction of the applicable performance conditions and pro-rated to reflect the length of the performance period which has been worked (with the Committee having discretion not to pro-rate or to reduce pro-rata if it considers it appropriate to do so). Alternatively, the Committee may determine with the agreement of the acquiring company that awards may be exchanged for equivalent awards in another company.

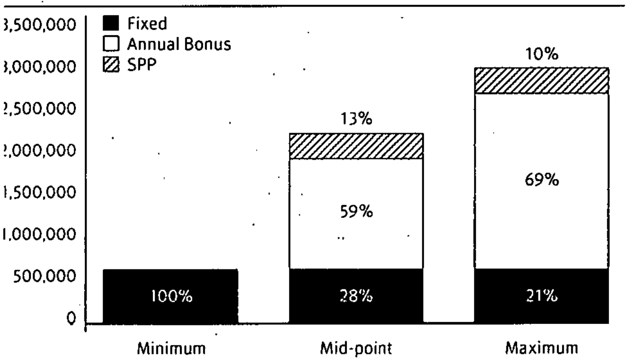
Directors' remuneration policy

Illustration of application of Remuneration Policy

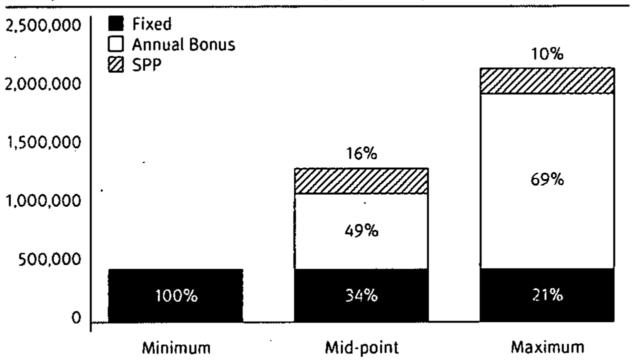
The Committee discloses each year in the Group's annual report a bar chart that models the potential remuneration for each of the Executive Directors for the forthcoming year using a range of assumptions. The chart shows the potential value of the current Executive Directors' remuneration for the forthcoming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

- The minimum amount represents the unconditional components 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 the remuneration caps that have been established for each component.

Chris Hill – remuneration opportunity for 2017/2018 (£)



Philip Johnson – remuneration opportunity for 2017/2018 (£)



Non-Executive Directors

Component/Purpose	Operation
Basic fee Supports the attraction and retention of high performing individuals, considering both the market value of the position and the individual's skills, experience and performance.	The Chairman and Non-Executive Directors' basic fees are reviewed annually by those responsible. Fee increases, if applicable, are normally effective from 1 July. The fee levels are set taking into account market data for comparable positions, taking account of the time commitment required for the role. All Non-Executive Directors' 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 chairman and committee member fees Recognises the additional time commitment and responsibility involved in chairing or being a member of a committee of the Board.	Each Non-Executive Director receives an additional fee for each committee for which they are chairman or a member. The committee chairman fees reflect the additional time and responsibility in chairing a committee of the Board, including time spent in preparation and liaising with management, and the time spent attending and preparing for a committee of the Board. The committee member fees reflect the additional time and responsibility in holding that role.
Senior Independent Director (SID) fee Recognises the additional time commitment and responsibility involved in holding the rôle 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 Chairman 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 Chairman and Non-Executive Directors in line with the Company's expenses policy. Appropriate Director insurance and indemnity cover is provided by the Company. Some Group services are provided at a reduced cost, on the same basis as for all other employees. No other benefits are made available to Non-Executive Directors.

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

On the appointment of a new Chairman or Non-Executive Director, the Committee will set the fee level consistent with the approved policy at the time of appointment having due regard to remuneration paid for comparable positions, taking account of the time commitment required for the role.

The Chairman and Non-Executive Directors are contracted under a letter of appointment. These letters of appointment cover the terms of their appointment, including the time commitment expected. Each appointment is for an initial fixed term of three years from the commencement date subject to election by shareholders at the first AGM following their appointment and annual re-election thereafter.

Either party may terminate the appointment upon three calendar months' written notice and the Company may do so with immediate effect subject to a payment in lieu of notice. Should termination arise as a result of a resolution of shareholders in general meeting, or as a result of a failure to be re-appointed by the shareholders, Non-Executive Directors will not be entitled to receive any fees in respect of any period after the termination date. No compensation is payable on termination, other than for accrued fees and expenses.

The letters of appointment for all Directors in post are available for viewing (on the giving of reasonable notice) at our registered office during normal business hours and both prior to and at the AGM.

General

External Board appointments

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

Consultation with employees

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

Consideration of shareholder views

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

The Committee considers shareholder feedback received in relation to the AGM each year at its first meeting following the AGM. This feedback, as well as any additional feedback received during any other meetings with shareholders, is then considered as part of the Company's annual review of the Remuneration Policy.

We also regularly engage with our largest shareholders to ensure we understand the range of views which exist on remuneration issues. When any material changes are made to the policy, the Committee will discuss these in advance with our major shareholders wherever practical. The Committee will also consult with professional advisers to ensure we consider current market and industry practices, where appropriate.

Annual report on remuneration

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

Role of the Remuneration Committee

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

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

The performance measurement of the Directors and key members of senior management and the determination of their annual remuneration packages are also undertaken by the Committee. For individuals below Director level, the Committee has delegated authority for setting individual remuneration packages to a sub committee consisting of the Chief Executive 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 Directors and senior employees of the Group is appropriate and that the Remuneration Policy complies with the FCA Remuneration Code. Any exceptional remuneration arrangements for senior employees are advised to the Committee.

Meetings during the year

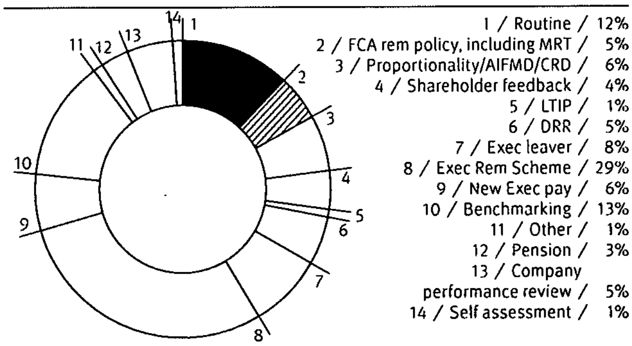
There were six scheduled meetings during the year and additional ad hoc meetings where required. I chair the committee and during the year its members were Mike Evans, Shirley Garrood and Stephen Robertson. None of the Committee has any personal financial interest (other than as shareholders), conflicts of interests arising from cross-directorships or day-to-day involvement in running the business.

	Meetings eligible to attend	Meetings attended
Chairman		
Christopher Barling	6	6
Members		
Mike Evans	6	6
Shirley Garrood	6	6
Stephen Robertson	6	5

Activities during the year included:

- Reviewing the Directors' remuneration report in the 2016 Annual Report, and considering all of the feedback received from institutional shareholders;
- Considering a formal assessment of risk performance in relation to remuneration;
- Agreeing the termination arrangements for the departing Chief Executive Officer;
- Agreeing the remuneration package for the new Chief Executive Officer and Chief Financial Officer;
- Reviewing and agreeing performance bonuses for the Executive Directors;
- Overseeing a committee which decided the base salary levels and performance bonuses for 'Material Risk Takers' under the FCA Remuneration Code and 'Identified Staff' under the AIFMD and UCITS Remuneration Codes agreed by the sub-committee under delegated authority. The required Remuneration Code disclosures were also reviewed and agreed;
- Reviewing the current Remuneration Policy and developing the proposed revised policy brought forward to shareholders for approval; and
- Reviewing the effectiveness of the Remuneration Committee.

Remuneration Committee allocation of time



Advice to the Committee

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

Throughout the year, the Committee has appointed and been advised by Deloitte LLP, which is a signatory to the Code of Conduct for the provision of independent remuneration advice of the Remuneration Consultants Group. Deloitte was invited to continue as advisers following a review of service levels. The Remuneration Committee is satisfied that the advice it has received was objective and independent. The fees payable to Deloitte for this advice were £51,700 plus VAT. Fees are determined at the outset of the year to cover the range of services it is anticipated the Remuneration Committee will require. If additional work is necessary, fees are agreed for these additional services. Other services provided to Hargreaves Lansdown by Deloitte LLP during the year consisted of tax and HR consulting services.

Following a competitive tender process the Committee also engaged Willis Towers Watson to provide market benchmarking for the Directors and selected senior roles below director level, they also provided an update on executive remuneration market trends. The Remuneration Committee is satisfied that the advice it has received was objective and independent. The fees payable to Willis Towers Watson for its services were £32,000 plus VAT. Other services provided to Hargreaves Lansdown by Willis Towers Watson consisted of the provision of remuneration benchmarking data for employees of the Group below Director level.

Implementation of the Remuneration Policy in 2018 – Executive Directors

Salary

The Executive Directors' base salaries were reviewed in June 2017. In reviewing base salaries the Committee takes into account salaries elsewhere across the Group, relevant market data and information on remuneration practice in a comparator group of companies in the financial sector. As both Executive Directors have been appointed to their current roles during the course of the last year, it was not felt appropriate to increase either of their appointment salaries.

Name of Director	Salary as at 1 July 2017 (£)	Salary on appointment to current role (£)	% increase
Chris Hill[1]	600,000	600,000	0%
Philip Johnson[2]	425,000	425,000	0%

1 Chris Hill was appointed as Chief Executive Officer after FCA approval on 13 April 2017. His salary as Chief Financial Officer was £425,000. This was increased to £600,000 from 9 February 2017 when he assumed the responsibilities of Chief Executive Officer.
2 Philip Johnson was confirmed as Chief Financial Officer after FCA approval on 7 April 2017.

The base salary figures in the above table are the reference base salaries of the Executive Director before any salary sacrifice or exchange into pension or other benefits.

Annual bonus

For 2018, awards are subject to performance against a balanced scorecard. This includes the following Company metrics:

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

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

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

Individual performance will be assessed against the following objectives:

Individual objectives for Chris Hill	Individual objectives for Philip Johnson
• Communicate the strategy to stakeholders • Establish operating framework to deliver the strategy • Deliver year 1 of the strategic plan in a risk controlled environment • Maintain client satisfaction • Support handover to new Chairman and ensure smooth induction of new Non-Executive Directors within the business	• Deliver success in Hargreaves Lansdown's financial metrics • Design and implement a plan to make a sustainable development to the operations function • Develop finance, company secretarial and investor relations capabilities • Optimise the balance sheet • Build effective partnership with CEO • Become authorised as CF10a – the named individual for client assets

In line with the proposed Remuneration Policy, the following on-target and maximum bonus opportunities will apply:

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

Annual report on remuneration

The total value of bonuses paid to members of the Executive Committee will remain capped at 5% of profit before tax.

60% of the bonus awarded to each Executive Director will be payable in cash following the end of the financial year. 40% of the bonus will be deferred into nil cost options over a period of three years, subject to continued employment.

Any unvested deferred awards are subject to a formal malus mechanism. Non-deferred bonus awards are subject to clawback for three years from the date of award.

Sustained Performance Plan (SPP) Subject to shareholder approval of the proposed Remuneration Policy, we intend to make the first awards under the Sustained Performance Plan immediately following the AGM in October 2017.

Each Executive Director will receive an award of nil-cost options with a face value of 50% of base salary, subject to satisfactory personal performance in the period pre grant. Awards will vest after five years, subject to the achievement of the underpinning performance conditions.

In respect of the initial awards under the Sustained Performance Plan these underpinning performance conditions will be:

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

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

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

Executive Director remuneration for 2017

Remuneration payable for the 2017 financial year (1 July 2016 to 30 June 2017) (Audited)

The remuneration received by Executive Directors in relation to performance in 2017 is set out below.

Name of Director	Year	Gross basic salary[4] £'000	Cash bonus £'000	Deferred element of bonus – shares £'000	Gain on historic options vesting £'000	Pension £'000	Totals £'000
Ian Gorham[1]	2017	348	360	240	220	–	1,168
	2016	500	1,085	465	–	21	2,071
Chris Hill[2]	2017	508	825	550	344	6	2,233
	2016	179	263	112	–	4	558
Philip Johnson[3]	2017	103	145	97	–	–	345
	2016	–	–	–	–	–	–

1 Ian Gorham's remuneration shown is for the period until he stepped down from the Board on 9 February 2017. During the period he was in post, he waived £nil of his salary (2016: £15,000) in favour of making a higher pension contribution.
2 Chris Hill's remuneration for 2017 reflects his role as Chief Financial Officer and Deputy Chief Executive until 8 February 2017 and as Chief Executive Officer from 9 February 2017. The prior year comparatives shown for 2016 reflect the period of the year he was in post from 4 February 2016.
3 Philip Johnson's remuneration for 2017 relates to the period from his appointment to the Board on 7 April 2017.
4 The Directors have taken benefits as a sacrifice to their salary. Ian Gorham sacrificed £1,800 (2016: £44,000) in regards of car parking and unpaid leave. Chris Hill sacrificed £5,600 (2016: £2,000) in order to fund pension contributions and in regards of car parking. Philip Johnson received £4,250 (2016: £ –) in lieu of pension contributions as he has previously taken Lifetime Protection. The amounts shown as gross basic salary are prior to any exchange into pension or salary sacrifice deductions.

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

Benefits in kind are available to all employees on the same basis. For 2017, benefits included: local car parking scheme; childcare vouchers; 4% of base salary employer pension contributions; reduced platform fees for holding assets in Vantage; reduced dealing charges for self and connected persons; health care; and the ability to participate in the Save As You Earn (SAYE) scheme.

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

Annual bonuses for the 2017 financial year (1 July 2016 to 30 June 2017) (Audited)

The value of bonuses payable to Executive Directors was determined by the Committee based on the performance of the Group against a number of financial measures, detailed below, and each individual's performance against the specific objectives set for them.

For the 2017 financial year only, as disclosed in last year's report the value of bonuses payable for performance in line with the business plan was increased by 10% (the expected value of previous annual LTIP awards) to reflect the absence of the LTIP for that year.

For each Executive Director, their overall bonus has been determined by reference to the following target and maximum levels:

	On-target bonus opportunity for 2017 (% of base salary)	Maximum bonus opportunity (% of base salary)
Ian Gorham	None	400%
Chris Hill	235%	400%
Philip Johnson	206%	400%

These opportunities have been pro rated to reflect each individual's time in role during the financial year.

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

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

Growth measures	Client service measures	Strategic measures
• Net New Business • Net New Clients • Profit Before Tax	• Net Promoter Score • Client Retention • Client Service Measure	• Developing client service • Developing capabilities • Business efficiency

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

Growth measures

	Operating plan target	Actual	Last year	Change	Commentary
Net new business	£6.354bn	£6.905bn	£6.01bn	+15%	The Committee reviewed performance in introducing new assets to the business, taking into account current market conditions. AUA increased by 28.4% to £79.2bn. During the year, our share of the platform market increased from 35.9% to 37.8% and market share of retail stockbroking increased from 25.52% to 29.74%.
Net new clients	101,000	118,000	100,000	+18%	The Committee noted strong growth was also seen in respect of net new clients, as 118,000 clients were acquired during the year compared to 100,000 last year.
Profit before tax	£241m	£265.8m	£218.9m	+21%	The Committee reviewed performance in delivering sustainable earnings growth, taking into account market consensus at the beginning of the year as well as current market conditions and the overall 14% increase in the FTSE All Share index over the period.

Summary: Above target performance
The Committee concluded that the Group has delivered a strong year for growth delivering more assets, more clients and record levels of net new business. This growth was delivered within the context of underlying market growth and, while the Committee took this tailwind into account, it also concluded that together with the increases in market share, the Group had delivered strong earnings growth within the planned resourcing levels.

Annual report on remuneration

Client service

	Actual	Last year	Change	Commentary
Net promoter score	60.5%	54.7%	+11%	The Committee reviewed the levels of service provided to clients recognising that 60.5% was the highest score ever, and compares to a three year average of 55.6%. The review also considered a range of other metrics including the nature and number of complaints, the significant increase in processing demands driven by business growth and the scalability and performance of technology.
Client retention	94.7%	94.3%	+0.4%	The Committee observed that retention levels again increased over the prior year.
Client service measure	272	249	+9%	The client service measure is internally constructed and consists of a combination of net promoter scores across each of the three key product areas: SIPP, ISA and Fund Share Account and client retention rate. 272 is the highest score ever and exceeds both the threshold score of 215 and the maximum of 265 established as part of the LTIP performance conditions.

Summary: on target performance
The Committee concluded that the business has delivered another good year for client service and acknowledged that, while the metrics were all strong, the Executive team's ambition was for an even higher level of client service.

Strategic delivery

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

Developing our client service	Developing our capabilities	Maintaining the business
Launch of two HL Select Equity funds Lifetime ISA launch Release of new mobile app	Completed review of IT development location options Development and delivery of key milestones on people agenda Development and implementation of digital marketing capability.	Broker Focus transition– completion of final complex change projects Replacement of stock exchange messaging system Rationalisation of CASS legal entity structure Review of controls and performance relating to client charges post RDR Development of risk management framework

The Committee considered the successful delivery of a number of new services to clients during the course of the year. As at the end of the year, the two HL Select funds now have £0.5bn funds under management and Hargreaves Lansdown was one of the first to offer the new Lifetime ISA. 14,550 LISA accounts have been opened in the year to June 2017 and £36 million is invested through us. We released the new mobile app in January and since then there have been over 486,000 downloads and £72m has been deposited into client accounts through the mobile app, a key feature enabled through the launch.

The Committee considered the progress made in developing our capabilities of people, technology and marketing noting the set-up of HL Tech in Warsaw, a number of key initiatives concerning the development of culture, skills and expertise to support growth and the continued progress in developing our digital footprint. Hargreaves Lansdown received 96.3m digital visits for the year to April 2017 (up 29% on last year). The Committee also recognised the successful delivery of a number of complex projects that, while not directly client facing, were fundamental to both maintaining a robust and scalable business and supporting the growth in volumes.

Specific focus was given to progress on the Active Savings service, which had not been delivered during the year. A proof of concept has been delivered and significant progress made in developing systems infrastructure, obtaining regulatory permissions and working with banking partners. However, delivery was not achieved within the planned timescale.

Summary: below target performance

Overall, the Committee recognised the significant level of delivery on strategic items during the year, but its view was weighed heavily by the slower than anticipated progress of Active Savings, resulting in a summary assessment of below-target performance for strategic delivery.

Individual performance

The Committee has considered each individual Director's performance against his or her personal objectives to ensure that awards are made where performance so merits and that they had individually not taken any inappropriate behaviour. No such concerns were raised during the year.

Ian Gorham's objectives were discussed in the equivalent report last year. Early in the first half of the year when it became evident that the handover of responsibilities would happen earlier than predicted, we disclosed a new objective of ensuring a complete and robust handover of responsibilities was added. Two further objectives existed which remain commercially sensitive.

Ian Gorham

Objective	Committee's assessment
Deliver a new strategic plan	Achieved
Deliver financial results to the satisfaction of shareholders in a risk-controlled environment	Half year financials strong although new business flows disappointing
Deliver the successful launch of HL Active Savings	Not achieved
Maintain client satisfaction	Achieved
Support and promote focus on people development	Achieved
Ensure a complete and robust handover of responsibilities	Achieved

Chris Hill

Objective	Committee's assessment
Deliver the results and financial plan	Strong year end numbers
Deliver operational efficiency while maintaining service levels	Service levels maintained but work continues on driving out operational efficiency
Review and strengthen the finance team	Achieved
Deliver financial results to the satisfaction of shareholders in a risk-controlled environment	Strong year end numbers
Deliver the successful launch of HL Active Savings	Targeting live proposition which is ready to launch in December 2017
Maintain client satisfaction	Client service measure at highest ever level, but ambition remains for even greater heights
Support and promote focus on people development	Really strong support and HL Tech launched

Philip Johnson

Objective	Committee's assessment
Deliver success in the HL Group's financial metrics	Achieved
Design and implement a plan to make sustainable development to operations function	Progressing well
Get settled in and immersed, building relationships with the exec team	Achieved
Deliver year end to timetable and improve shareholder communications	On track

Summary

The Committee concluded that Chris Hill's performance was above target and that of Ian Gorham and Philip Johnson were on target.

Total bonuses awarded

Each Director's bonus has been pro-rated to reflect their time in the role during the financial year. The resulting bonuses for the year ending 30 June 2017, taking into account both Group and personal performance were:

	Cash £'000	Deferred £'000	Total £'000	% of maximum
Ian Gorham	360	240	600	43%
Chris Hill	825	550	1,375	68%
Philip Johnson	145	97	242	62%

Deferral of annual performance bonuses

40% of the annual performance bonuses will be deferred for three years into nil-cost options.

In last year's remuneration report we had stated that dividends would not be payable on the deferred shares element of 2017 bonuses as a result of a change in regulatory requirements, but that we fundamentally disagreed with the logic of this position. We believe that the payment of dividends (or dividend equivalents) is an important feature in aligning the interests of executives with those of shareholders, and so are pleased to be able to report a change in our understanding of the regulatory position such that we will now be paying dividends (or equivalents) on unvested nil-cost options at the end of the vesting period in line with our Remuneration Policy.

The right to exercise deferred awards will vest after three years provided the individual remains employed by the Group.

Malus and clawback

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

Annual report on remuneration

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	2017	2016	2015	2014	2013
Profit before tax (PBT)	**£265.8m**	£218.9m	£199.0m	£209.8m	£195.2m
Net new business	**£6.9bn**	£6.0bn	£6.1bn	£6.4bn	£5.1bn
Net new clients	**118,000**	100,000	84,000	144,000	76,000
Net operating margin (on net revenue)	**67.7%**	66.8%	67.3%	71.3%	71.5%
Client service measure	**272**	249	240	216	266
Total value of Executive Committee bonuses as % of PBT	**1.93%**	1.83%	1.78%	2.42%	3.53%

Vesting of long-term incentive awards for Ian Gorham for financial year ending 30 June 2017 (audited)

The performance period for the LTIP awards made for the year ended 30 June 2014 came to an end on the third anniversary of the award. The LTIP targets and the outcomes achieved are detailed below:

Target	Weighting of each condition	Minimum	Maximum	Performance	Achievement
EPS[1]	50%	42.3p	47.4p	38.4p	0%
Net new business	50%	£23.2bn	£28.6bn	£19.0bn	0%

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

At the time of grant, the Director received an award of options over 55,000 shares, with scaled vesting dependent on performance against the targets set. The vesting schedule was set such that provided the threshold was achieved, 25% of that part of the option relating to that performance condition would vest, rising to vesting in full if the maximum target was met or exceeded. For performance between the minimum and maximum targets, vesting is pro-rated on a straight line basis between 25% and 100%.

For the participant, nil options of the 55,000 granted will vest.

The 2013 LTIP vested during the year and 33,036 options of the 50,000 granted vested for each participant. The share price on the date of vesting, 7 September 2016, was £13.49.

Share awards made during the year ending 30 June 2017 (audited)

As outlined in last year's report, no awards were made under the LTIP in respect of performance during the year ended 30 June 2016.

Name of Director	Type of award	Market value of maximum award at date of grant (£)	Exercise price (£)	Share price on date of grant (£)	Number of shares over which the award was granted	Face value of award[1] (£)	Fair value at date of grant[2] (£)	% of face value that would vest at threshold	Performance/ vesting period
Ian Gorham	Deferred bonus[3]	497,540	1.00[5]	13.30	37,409	497,540	497,539	n/a	1 July 2016 to 12 September 2019
Chris Hill	Deferred bonus[3]	120,365	1.00[5]	13.30	9,050	120,365	120,364	n/a	1 July 2016 to 12 September 2019
Philip Johnson	SAYE	22,620[4]	10.57	13.29	1,702	22,620	4,629	n/a	1 June 2017 to 1 June 2020

1 Face value is calculated as the share price at the date of grant multiplied by the number of options granted.
2 Fair value is calculated as the difference between market value and the exercise price at the date of grant. Note that SAYE options were granted at a discount, on the same basis as for all employees.
3 These are non-performance related awards. The number of shares over which the award was granted was calculated by reference to the share price on 30 June 2016 of £12.43. These awards were granted on 12 September 2016.
4 Savings into SAYE are capped at a maximum of £500 per month.
5 The aggregate exercise price for awards under the deferred bonus scheme is £1 and were granted on 7 April 2017.

All-employee share plans

The company operates a SAYE share options scheme and share incentive plan (SIP) on the same terms for all employees. All employees are encouraged to become shareholders, both through direct ownership or through participation in share schemes.

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' shareholdings and share interests (audited)

The guideline for Executive Directors to accumulate minimum personal holdings in Hargreaves Lansdown plc shares amounts to a value of two times base salary within six years of appointment to the Board. Under the revised Remuneration Policy being presented for approval, the guideline will be increased to a value of three times base salary, again to be achieved within six years of appointment to the Board.

At the point of stepping down from the Board, Ian Gorham owned shares outright, at a level exceeding his required shareholding as described above based on a share price of £13.53 (being the closing price on 9 February 2017).

Under the current policy Chris Hill has until 30 June 2019 to obtain a one times base salary shareholding. Philip Johnson has until 30 June 2020 to obtain a one times base salary shareholding.

Annual report on remuneration

Current shareholdings are summarised in the following table:

Name of Director	Beneficially owned at 30 June 2016	Beneficially owned at 30 June 2017	Outstanding subject to continued employment	Outstanding subject to continued employment, arising from deferred bonus	Outstanding subject to continued employment, arising from recruitment award	Outstanding LTIP awards with performance conditions	No of share options vested but unexercised at 30 June 2017	No of share options exercised in the year	Shareholding guideline (multiple of base salary)	Shareholding as a multiple of base salary achieved at 30 June 2017
Ian Gorham	332,628	139,628	1,565	89,139	–	115,000	33,036	20,974	Two times	Over three times
Chris Hill	–	14,363	1,750	9,050	12,200	50,000	–	27,100	One times	0.3 times
Philip Johnson	–	30,612	1,702	–	–	–	–	–	One times	0.9 times

Pension
No Directors or employees participate in a defined benefit pension scheme. The Group operates its own Group Self Invested Personal Pension (the "GSIPP"). The Company currently contributes 4% of base salary to the scheme which applies to Executive Directors and staff. This will increase to 5% of base salary with effect from 1 October 2017.

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 are required to contribute 4%, with contribution levels increasing to 5% from 1 October 2017. Staff, Senior Management and Executive Directors may opt out of the scheme should they wish. Where an individual has reduced the level of their contribution to the GSIPP due to exceeding, or being due to exceed, the Lifetime Allowance or Annual Contribution, or has opted out where they have elected to protect their Lifetime Allowance, the Group will make an additional monthly payment equivalent to the employer's pension contribution amount forsaken.

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, with the exception of the exercise of the following share awards for Tracey Taylor:

- Ms Taylor exercised 7,713 deferred bonus shares on 6 September 2016 when the share price was £13.49.

Payments for loss of office (audited)
It was announced in September 2016 that Ian Gorham had decided to step down as Chief Executive Officer. He subsequently stepped down as CEO on 9 February 2017, and will remain with the Group until 30 September 2017 to ensure a smooth transition. His existing conditions of employment will continue in accordance with his service contract until this date. The value of emoluments paid for the period of the year after he had stepped down from the Board was £219,907.

Mr Gorham remained eligible for a reduced pro-rated discretionary bonus for the period 1 July 2016 to 9 February 2017 commensurate with standing down as CEO part way through the year. Details of this bonus are set out within the table headed 'Remuneration payable for the 2017 financial year'. The Remuneration Committee determined that Mr Gorham would be classified as a 'good leaver' under the Long Term Incentive Plan and as such he will be eligible to retain his unvested awards under this plan, pro-rated for time to report the proportion of the performance period served prior to the cessation of his employment. These awards will remain subject to the terms of the plan, including performance conditions.

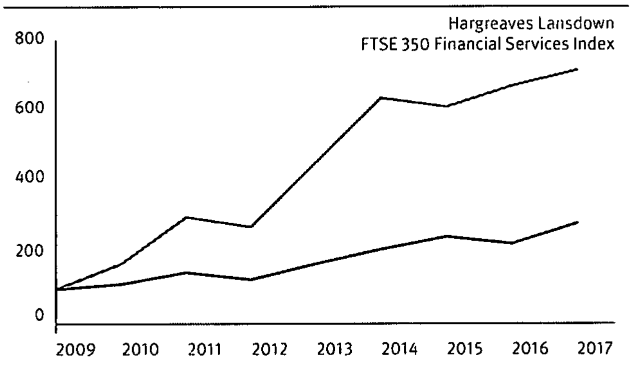
No other compensation for loss of office will be paid to Mr Gorham.

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 eight 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 2017. 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 eight year period.



Chief Executive Officer remuneration for the past eight years

The table below shows details of the Chief Executive Officer's remuneration for the previous eight 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%/-

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

Annual report on remuneration

Percentage change in Chief Executive Officer's remuneration

The table below shows the percentage change in remuneration of the Director undertaking the role of Chief Executive Officer and the Company's employees as a whole between the year ended 30 June 2016 and the year ended 30 June 2017.

	Base salary	Annual bonus
Chief Executive Officer % change[1]	18%	(10%)
Employee % change	8%	(1%)

1 This comparison is based on the aggregate remuneration of Ian Gorham and Chris Hill for the respective periods of 2017 for which they were Chief Executive Officer

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

Relative importance of the spend on remuneration

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

	Total dividend paid £'m	Profit before tax £'m	Staff costs £'m	Total dividend declared (pence per share)
2017	164.5	265.8	68.6	29.0p
2016	160.6	218.9	60.2	34.0p
% change	+2%	+21%	+11%	-15%

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 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 and share incentive plans and senior staff may also be awarded share options under the Group's Company share option plan or Executive share option plan where they have displayed exceptional performance.

Chairman and Non-Executive Director remuneration

Fees for Non-Executive Directors were reviewed in June 2017. These are structured with a base fee payable to all Non-Executive Directors, with additional fees paid for the role of Senior Independent Director and for the chairs and members of Board sub-committees.

Fee policy

	Fees from 1 July 2017 (£ p.a.)	Fees from 1 July 2016 (£ p.a.)
Chairman	**250,000**	250,000
Base fee for Non-Executives	**52,500**	52,500
Senior Independent Director	**12,500**	12,500
Chair of Audit Committee	**25,000**	25,000
Chair of Remuneration Committee	**12,500**	12,500
Chair of Investment Committee	**10,000**	10,000
Chair of Risk Committee[1]	**10,000**	10,000
Chair of Nomination Committee[1]	**10,000**	10,000
Member of Audit/Remuneration/ Risk/Investment Committee	**2,500**	2,500

1 Under current arrangements the Chairman fills this role for no additional fee.

Remuneration payable for the 2017 financial year (1 July 2016 to 30 June 2017) (audited)

The remuneration received by Non-Executive Directors in 2017 is set out below.

Non-Executive Directors and Chairman	2017 fees (£)	2016 fees (£)
Mike Evans, Chairman	**250,000**	250,000
Christopher Barling	**85,000**	75,000
Stephen Robertson	**65,000**	50,000
Shirley Garrood	**85,000**	75,000
Jayne Styles[1]	**70,000**	41,379
Dharmash Mistry[2]	–	8,333

1 Emoluments for Jayne Styles for 2016 are shown for the eight months following her appointment to the Board on 23 October 2015.
2 Emoluments for Dharmash Mistry for 2016 are shown for the two months up to his resignation from the Board on 31 August 2015.

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

The table below shows, as at 30 June 2017, the Company shares held by the Non-Executive Directors:

Non-Executive Director	Shares
Mike Evans	8,125
Christopher Barling	nil
Stephen Robertson	9,890
Shirley Garrood	nil
Jayne Styles	nil

Statement of voting at the AGM

At the AGM held in 2016, votes cast by proxy and at the meeting in respect of the Directors' remuneration report 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 (excluding Directors' Remuneration Policy)	348,570,289	89.98%	38,808,578	10.02	387,378,867	3,670,969	391,049,836

At the AGM held on 24 October 2014 (the last time the Directors' Remuneration Policy was subject to shareholder vote), the 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' Remuneration Policy	379,027,684	98.4%	5,941,081	1.54%	384,968,765	84,379	385,053,144

Christopher Barling
Chairman of the Remuneration Committee

14 August 2017

Nomination Committee report

Dear shareholder

On behalf of the Nomination Committee, following a very busy year, I am pleased to present the Committee's report for 2017. Over the period, we have completed the appointment process for our new Chief Executive Officer (CEO), Chris Hill, and our new Chief Financial Officer (CFO), Philip Johnson. We have recommended the appointment of two new independent Non-Executive Directors, who will be appointed as soon as regulatory approval is received. Following the announcement in May 2017 that I intend to stand down as Chairman once a suitable replacement has been appointed, we have commenced the search for a new Chairman. As a key part of this work, we have reviewed the size and composition of the Board. We have improved the quality of our succession planning within our Executive Team and endorsed the leadership and development plans.

Role of the Nomination Committee

The Committee is responsible for regularly reviewing the structure, size and composition of the Board, with due regard to skills, knowledge, experience and diversity and making recommendations to the Board as to any changes. The Committee leads the process for Board appointments, re-election and succession of Directors and the Chairman. It is responsible for making recommendations to the Board concerning the composition and skills of the Board including proposed appointees to the Board and the membership of the committees.

We have a formal, rigorous and transparent procedure for the appointment of new Directors to the Board. Depending on the circumstances of the appointment being made, we consider internal candidates, those proposed by either existing Board members or via searches performed by the Company or candidates identified through the use of external independent search firms. Committee members conduct the interview and assessment process, assisted where necessary by Executive management. Consideration is given to ensure appointees have enough time available to devote to the role and that the balance of skills, knowledge and experience on the Board will be maintained and enriched. When the Committee has found a suitable candidate, the Chairman of the Committee makes a recommendation to the Board; however, any appointment is the responsibility of the Board itself.

The Committee is responsible for the succession planning for the whole Board and senior executives, taking into account the challenges and opportunities facing the Group and the future skills and expertise needed on the Board. It is also required to review the leadership and development needs of the organisation to allow it to compete effectively in its market.

Nomination Committee – membership and attendance

The Committee meets at least twice a year, there were five scheduled meetings during the financial year and additional ad hoc meetings where required. I chair the comittee and its other members at 30 June 2017 were Christopher Barling, Shirley Garrood, Stephen Robertson and Jayne Styles. The Chief Executive and the Chief People Officer have been routinely invited to attend meetings as required. A sub-committee of the Nomination Committee has been established to undertake the Chairman recruitment process, and this sub-committee has met twice during the year.

The members of the Nomination Committee at 30 June 2017 and attendance at the five Committees held during the 12 month period were:

	Meetings eligible to attend	Meetings attended
Chairman		
Mike Evans	5	5
Members		
Christopher Barling	5	5
Shirley Garrood	5	5
Stephen Robertson	5	5
Jayne Styles	5	5

Diversity

When assessing new appointments to our Board, we review carefully the combined skills and experience of the existing Board members to determine what characteristics we are looking for from a new Director. Each member of the Board must have the skills, experience and character that will enable each Director to contribute both individually, and as part of the team, to the effectiveness of the Board and the success of the Group. We believe that diversity amongst Board members is of great value but that diversity is a far wider subject than just gender. We will give careful consideration to issues of overall Board balance and diversity in making new appointments to the Board.

As at 30 June 2017, the Board numbers seven in total, of which two are Executive and five independent (including the Chairman). Female Directors constitute 29% of the Board and 10% of the Executive Committee. Subject to the requirements set out above, we will aim to maintain female representation on the Board at least at the current level and give due consideration to increasing the level if, and when, appropriate candidates are available when Board vacancies arise. We are committed to maintaining a diverse workforce at all levels across the Group and more information on how we do this can be found in the Our People section. A copy of our full statement on Board Diversity can be found at www.hl.co.uk.

Main activities during the financial year

During the year, the Committee completed the approval and appointment process of our new CEO, Chris Hill, who had previously held the position of CFO, having joined us in February 2016. The Committee undertook a full assessment of Chris's abilities, including a comparison against the experience and skills required for the CEO role, and commissioned an externally facilitated psychometric profile. The Committee concluded that Chris was the right person to lead the Group in the delivery of the next phase of its growth and recommended to the Board that he be promoted to Deputy CEO in September 2016 with a view to becoming CEO after a suitable handover process from the outgoing CEO, Ian Gorham. Following regulatory approval, Chris was appointed CEO in April 2017.

The Committee commenced and completed the search for a replacement CFO, using the services of Spencer Stuart & Associates Limited, an independent executive search agency. The search was focused on individuals with appropriate experience in the financial services sector, with an evaluation of skills, experience and knowledge required for the role, and with due regard to the benefits of a diverse Board. The Committee oversaw a rigorous assessment process and was pleased to recommend the appointment of Philip Johnson to the Board. Philip joined the Company in February 2017 and following regulatory approval was appointed to the Board as CFO in April 2017.

One of the recommendations of the Board review of 2016 was to appoint at least one additional Non-Executive Director. Given the need to prioritise the Executive changes, the Committee commenced a search mid-year, also using Spencer Stuart & Associates Limited for two new Non-Executive Directors. The Nomination Committee considered the combination of skills and experience required to fulfil the Board's purpose and to provide appropriate challenge. There was a well-defined specification for these appointments with a clear understanding of the attributes and values required to help the effective functioning of the whole Board with appropriate acknowledgement of the need for diversity in the composition of the Board. In June 2017 the Committee recommended to the Board the appointment of two new independent Non-Executive Directors, who will be appointed as soon as regulatory approval is received.

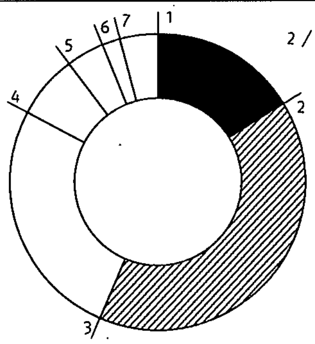
Nomination Committee report

Having agreed a role definition defining the skills and experience required for a new Chairman, in May 2017, the Committee commenced a broad search using Zygos Limited, an independent executive search agency. This search is being led by a sub-committee of the Nomination Committee, chaired by the Senior Independent Director.

During the year, the Committee has also overseen the assessment process for Heather Cooper, who was appointed to the Executive Committee in February 2017 as Chief People Officer.

In June 2017, the Committee received and discussed a detailed review of succession planning for the Executive Directors and senior management within the Group.

Nomination Committee allocation of time



1 / Routine / 16%
2 / Executive succession planning / 40%
3 / NED recruitment / 26%
4 / Chairman recruitment / 7%
5 / Director assessment / 4%
6 / Effectiveness / 2%
7 / Other / 4%

Signed on behalf of the Nomination Committee.

Mike Evans
Chairman of the Nomination Committee

14 August 2017

Risk Committee report

Dear shareholder

On behalf of the Risk Committee I am pleased to present the Committee's report for 2017. Over the period, we have had a number of challenging and valuable discussions in the Committee around the impacts of Brexit, the annual review and approval of the risk appetite statements, the Hargreaves Lansdown future applications strategy including the establishment of a development hub, HL Tech, in Warsaw Poland, the continual evolution of our fraud and cyber risk control environment and the rolling consideration of the risk profile. The Committee approved and recommended the Hargreaves Lansdown internal capital adequacy assessment process (ICAAP) for Board approval on 26 January 2017.

Role of the Board Risk Committee

The Committee is a forward looking committee of the Board of Hargreaves Lansdown plc, seeking to anticipate potential issues by assessing known or foreseeable risks and thereby enabling the Group to take action to avoid or mitigate the impact of those risks.

The responsibilities of the Committee are set out in its terms of reference, which are designed to assist the Board in discharging its responsibilities:

- Advising the Board on the Group's overall risk appetite, risk tolerance and risk strategy, taking into account the current and prospective macroeconomic and financial environment;
- Overseeing and advising the Board on the current risk exposures of the Group and future risk strategy;
- Advising the Board on the amount of surplus regulatory capital that should be held commensurate with the Group's risk profile and regulatory obligations;
- Overseeing the effectiveness of the risk management procedures, including AIFMD and the principal risks and uncertainties relating to the Group and the steps being taken to mitigate them;
- Reviewing and recommending to the Board the Group's ICAAP;
- Identifying and assessing future potential risks which, by virtue of their unfamiliarity, uncertainty and deemed low probability may not have been factored adequately into review elsewhere within the Group; and
- Continuously monitoring the adequacy and effectiveness of the Group's internal controls and understanding how these affect the risk profile of the business.

The Committee reports its findings to the Board, identifies matters for which action or improvement is needed, and recommends appropriate steps. However, the Board retains ultimate responsibility for reviewing and approving the overall risk appetite of the business.

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

Risk Committee report

Board Risk Committee – membership and attendance

The Committee meets at least four times each year, there were six scheduled meetings during the financial year and additional ad hoc meetings where required. The attendance by each Director is set out in the table below. I chair the Committee and its other members at 30 June 2017 were Christopher Barling, Shirley Garrood, Stephen Robertson and Jayne Styles. The Director of Risk and Compliance, Chief Risk Officer, Chief Financial Officer, Chief Executive and Head of Internal Audit are routinely invited to attend meetings, although the Committee reserves the right to request any of these individuals to withdraw.

Inbetween the formal schedule of meetings, the Chairman of the Committee keeps in regular contact with the Chief Executive, Director of Risk and Compliance, Chief Financial Officer, Chief Risk Officer and the Head of Internal Audit.

The members of the Committee at 30 June 2017 and attendees at the six Committees held during the 12 month period were:

	Meetings eligible to attend	Meetings attended
Chairman		
Mike Evans	6	6
Members		
Christopher Barling	6	6
Shirley Garrood	6	6
Stephen Robertson	6	6
Jayne Styles	6	6

The Committee membership constitutes Independent Non-Executive Directors and the Non-Executive Chairman.

On an ongoing basis, membership of the Committee is reviewed by the Chairman of the Committee and any recommendations for new appointments are made to the Nomination Committee for onward recommendation to the Board. Appointments are for a period of three years and are extendable for further periods of up to three years provided the Director still meets the criteria for membership of the Committee.

Main activities during the year

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

Risk reporting and risk profile discussions

The Committee has received reports from the Risk department at each Committee meeting as well as ad hoc reports from other areas of the business on request. Regular topics of discussion have included dealing statistics, conduct risk (through the conduct risk key risk indicators), escalation reports with associated learnings and the departmental risks. The Committee has challenged the business where trends and data suggest further action is required. The Committee believes the management of the risk profile is given sufficient consideration and that necessary action has been taken with appropriate governance and oversight

Emerging risks

Emerging risks have been an agenda item at each Committee meeting during the period. Papers have been submitted by the Executive Risk Committee covering a variety of emerging risks. These matters have been discussed and challenged and the Committee has provided considered guidance on a variety of external emerging risks. Topics which have been discussed by the Committee include a variety of systemic, regulatory, political, technological and internal change risks.

Fraud and cyber risk

The Committee is acutely aware of the industry exposure to both fraud and cyber risk, and this is reflected in the frequency with which it is discussed at the Committee. During the period an anti-fraud strategy was presented to the Committee by the Head of Client Protection. The strategy is focused on enhancing existing controls and reviewing emerging threats.

MLRO update

The Committee has received a number of reports from the MLRO providing updates to the Committee. Updates included regulatory changes regarding overseas clients and staff training requirements.

Commercial update

The Committee has received reports from the Commercial Director at each Committee meeting. Regular topics of discussion included competition risk, client outcomes and business volumes.

Operations update

The Committee has received reports from the Head of Operations at each Committee meeting. Regular topics of discussion included improvements to the control framework, resource planning and the culture within the operations teams.

IT update
The Committee has received reports from the Chief Information Officer at each Committee meeting. Regular topics of discussion included IT security, strategic projects and the development hub in Warsaw.

ICAAP
The Committee approved and recommended for Board approval the Hargreaves Lansdown ICAAP on 26 January 2017. Prior to the Committee's approval, separate ICAAP challenge and review sessions were run with both the Board and the Executives. Understanding of the ICAAP and using it as an element of risk management challenge to the business is integral to the Committee, with specific agenda items dedicated to the constituent elements including reverse stress testing, stress and scenarios and wind down plans.

Risk framework and governance
The Committee reviewed a report from the Chief Risk Officer regarding the design and effectiveness of the risk management framework, including the introduction of a new Executive Risk Committee. The Executive Risk Committee is chaired by the Group Director of Risk & Compliance. Its role is to oversee the day-to-day risk management across the Group as set out on page 44. It meets monthly with attendance from members of the Executive Committee supported by senior management and subject matter experts. A monthly CASS Committee has been formed to specifically focus on the Group's CASS risks and compliance.

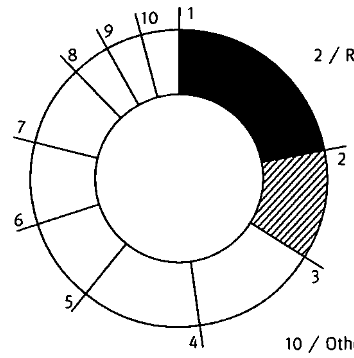
Remuneration schemes governance
The Committee provided support and input to the Remuneration Committee by reviewing a report from the Chief Risk Officer covering the appropriateness of the remuneration schemes upon the Group's risk profile.

Risk effectiveness
During the year, the Committee has overseen a range of improvements in both the capacity of the risk team, and the embeddedness of the framework. These measures have all increased the effectiveness of risk management. The Chairman of the Committee has been in regular contact with the Head of Internal Audit throughout the year. At its meeting in June 2017, the Committee received and approved the annual reports on the adequacy and effectiveness of the Group's risk management process and risk team, the effectiveness of the internal control environment and the effectiveness of compliance.

Board Risk Committee agenda 2016-17

August 2016	October 2016	January 2017	April 2017	June 2017
CRO update	CRO update	CRO update	CRO update	CRO update
Risk and control attestations considered	Data protection	Cyber risk	Remuneration report	Risk management effectiveness report
Inherent enterprise risk updates	Prevention of fraud and bribery	Prevention of fraud and bribery	Approval of risk appetite statement	Compliance effectiveness report
ICAAP update	Culture discussion	Inherent risk updates	Inherent enterprise risk updates	Cyber security and crime update
	ICAAP update	Approval of ICAAP		Conduct risk

Risk Committee allocation of time



1 / Strategic & Emerging risk (CRO update) / 22%
2 / Risk Framework (Risk & Control attestation/Risk Appetite/ RM Effectiveness) / 12%
3 / Enterprise risk / 14%
4 / Capital adequacy / 13%
5 / AML/MLRO reports (Prevention of Fraud & Bribery) / 9%
6 / Conduct risk & culture / 9%
7 / Cyber risk (Cyber-security and prevention of cyber-crime) / 9%
8 / Data Protection risk / 4%
9 / Remuneration / 4%
10 / Other (Compliance effectiveness / 4%

Signed on behalf of the Risk Committee

Mike Evans
Chairman of the Risk Committee

14 August 2017

Directors' report

The Directors present their report on the affairs of the Group and the audited consolidated financial statements of the Group for the year ended 30 June 2017. Accompanying this Directors' Report are the strategic report, corporate governance report, Audit Committee report and Directors' remuneration report. These reports form part of the Report and Financial Statements.

A review of the business and its future development is set out in the strategic Report. A description of the principal risks and uncertainties is given on page 24 of the strategic report

Cautionary statement

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

Results and dividends

The results of the Group are set out in detail on page 98. The Company paid an interim dividend during the period, as detailed in note 3.2 to the financial statements. The Directors have proposed a final dividend of 20.4 pence per share, to be paid in respect of the year ended 30 June 2017, subject to approval at the AGM. The proposal would see this dividend paid on 20 October 2017 to all shareholders on the register at 29 September 2017. Details of dividend waivers are also detailed in note 3.2 to the consolidated financial statements.

Events after balance sheet date

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

Employee disclosures

Our disclosures relating to the employment of disabled persons, the number of women in senior management roles, employee engagement and policies are included in 'Our People' on pages 30 to 31.

Corporate social responsibility

Information about the Group's approach to the environment and sustainability, including details of our greenhouse gas emissions, are set out on pages 27 to 29.

Risk management

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

Corporate governance

The corporate governance report found on pages 38 to 43 and, together with this report of which it forms part, fulfils the requirements of the corporate governance statement for the purpose of the Financial Conduct Authority's Disclosure and Transparency Rules (DTR).

Share capital

The Company's shares are listed on the Main Market of the London Stock Exchange. The Company's authorised and issued share capital during the year and as at 30 June 2017 is shown in note 3.1 to the consolidated financial statements. The ordinary shares rank pari passu in all respects. Save as agreed at the Annual General Meeting of the shareholders, the ordinary shares have pre-emption rights in respect of any future issues of ordinary shares to the extent conferred by Section 561 of the Companies Act 2006.

Beneficial owners of shares with 'information rights'

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

Directors' interests

Information about the interests, in the shares of the Company, of those who held the office of Director in the year to 30 June 2017 is included in the Directors' remuneration report on page 72.

During the year, Ian Gorham resigned as Chief Executive Officer, on 9 February 2017 with Chris Hill taking his place. Chris Hill was appointed deputy CEO on 7 September 2016 and then received regulatory approval on 13 April 2017. On 7 April 2017, Philip Johnson was appointed to the Board in the position of Chief Financial Officer.

Further details regarding those persons who have been Directors in the year can be found in the governance section of this report on page 40

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

Directors' indemnities

As permitted by the Company's Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third-party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was introduced in August 2014 and is currently in force. The Company also purchased and maintained throughout the financial year directors' and officers' liability insurance cover for up to £40 million in respect of itself and its Directors to guard against liability which may be incurred acting as Directors and officers. This cover remains in force at the date of this report.

Substantial shareholdings

As at 30 June 2017 and 14 August 2017 the Company had been advised in accordance with the DTR of the following shareholdings amounting to more than 3% of the issued share capital of the Company:

Interested party	Number and % of ordinary shares
Peter Hargreaves	152,639,678 (32.18%)
Stephen Lansdown	71,240,000 (15.02%)
Baillie Gifford & Co	30,682,711 (6.47%)
Lindsell Train Limited	30,461,311 (6.42%)
BlackRock, inc	21,747,181 (4.58%)

There is a relationship agreement in place between Peter Hargreaves and the Company to ensure that the independence provisions as set out in the Listing Rules are complied with. The Board confirms that for the year ended 30 June 2017, 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.

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

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

Listing Rule 9.8.4 – Required Disclosure	Location in the Report and Financial Statements
(12) Current Year Dividend Waiver Agreements	Note 3.2 to the consolidated financial statements provides information on employee benefit trusts that have waived dividends
(13) Future Dividend Waiver Agreements	Note 3.2 to the consolidated financial statements provides information on employee benefit trusts that have waived dividends
(14) Information Regarding Controlling Shareholder	A statement regarding the controlling shareholder is on page 83 of the Directors' report

Market Abuse Regulations

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

Annual General Meeting

At the AGM on 11 October 2017, the following five items of special business will be tabled:

1. Authority to purchase own shares: The Company was granted authority at the AGM in 2016 to purchase its own shares up to an aggregate value of 10% of the issued nominal capital. This authority expires at this year's AGM and a special resolution will be proposed for its renewal.

This resolution gives the Directors authority to make market purchases of up to 47,431,862 ordinary shares, representing approximately 10% of the Company's issued ordinary share capital at 14 August 2017. The Directors do not have any present intention to exercise such authority and the authority will expire at the conclusion of the next AGM after the passing of the proposed resolution.

2. and 3. Directors' authority to allot shares and waiver of pre-emption rights: Resolutions are to be proposed as special business at the AGM on 11 October 2017 to enable the Directors to allot unissued shares and, subject to the limits therein contained, to allot shares for cash other than to existing shareholders in proportion to their shareholdings.

Allotment of shares – This resolution renews the Directors' authority to allot shares. The maximum nominal value of relevant securities that may be allotted pursuant to the authority is £632,424.80, representing 158,106,200 ordinary shares. This amount represents approximately 33.3% of the Company's total share capital in issue as at 14 August 2017.

Waiver of pre-emption rights – This resolution renews the Directors' authority to issue new shares for cash, without following the statutory pre-emption procedures, so long as: (i) the issue is a rights issue, open offer or other pre-emptive offer, or pursuant to a scrip dividend alternative; or (ii) the aggregate nominal amount of such issue does not exceed £94,863.72 (which represents 5% of the issued share capital as at 14 August 2017).

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

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

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

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

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

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

Viability statement

In accordance with provision C.2.2 of the UK Corporate Governance Code, the Directors have assessed the viability of the Group over a longer period than the 12 months required by the Going Concern provision. Details of the assessment can be found in the operating and financial review section of the strategic report.

Going concern

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

Disclosure of information to auditor

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

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

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

Approved by and signed by order of the Board

Judith Matthews
Company Secretary

14 August 2017

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of the profit or loss of the Group and parent company for that period. In preparing the financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- State whether applicable IFRSs as adopted by the European Union have been followed for the Group financial statements and IFRSs as adopted by the European Union have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- Make judgements and accounting estimates that are reasonable and prudent; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and parent company will continue in business.

The Directors are 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 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 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.

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

Each of the Directors, whose names and functions are listed in the Governance section, on page 36, 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

14 August 2017

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Our Stocks and Shares ISA offers a tax-efficient way to help our client's money grow. ISAs are wrappers in which savings and investments are sheltered from capital gains tax and UK income tax. Each year, each individual has an ISA allowance; this tax year the allowance is £20,000.

Our ISA offerings are very popular and we have over 676,000 ISA accounts with AUA of £31.9 billion.

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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 2017 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 IFRSs as adopted by the European Union and 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 2017 (the "Annual Report"), which comprise: the consolidated and parent company statements of financial position as at 30 June 2017, the consolidated income statement and consolidated statement of comprehensive income, the consolidated and parent company statements of cash flows and the consolidated and parent company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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

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

Independence
We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company.

Other than those disclosed in note 1.4 to the financial statements, we have provided no non-audit services to the group or the parent company in the period from 1 July 2016 to 30 June 2017.

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

Group financial statements

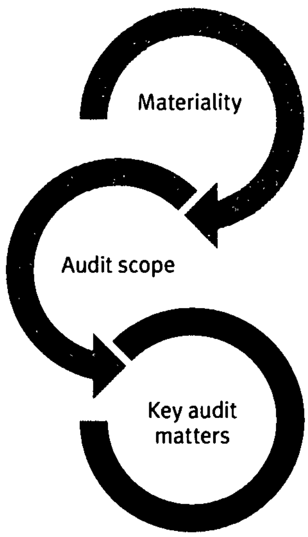
- £13.2 million (2016: £10.9 million)
- Based on 5% of profit before tax.

Parent company financial statements

- £9.3 million (2016: £9.5 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 99.5% 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 (group).



The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

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 to the financial statements)

Revenue recognition is a key audit matter as revenue is significantly material to the group and is an important determinant of the group's profitability.

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 incentive to overstate revenue. Revenue may also 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.

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, including fraud risk factors
Asset and transaction based revenue streams calculated by the underlying administration system	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.
Management fees on SIPPs and ISAs	
Platform fees	
Stockbroking commission	
Other income	

How our audit addressed the key audit matter

Asset and transaction based revenue streams

To address the risk identified in the asset and transaction based revenue streams calculated by the underlying administration system, we independently re-calculated the revenue recognised. This covered management fees, platform fees and an element of stockbroking commission. Our calculations were based on data extracted from the administration system.

In order to rely on the data extracted, we:

- Reconciled transactional data provided from opening positions through to closing positions of individual securities held; and
- Tested a sample of transactions to supporting documentation such as client instructions and a sample of security positions to stock reconciliations and external sources (such as fund manager statements).

This testing provided sufficient evidence for us to determine the data extracted was reliable for the purposes of performing the recalculations.

We tested the inputs of our recalculations by agreeing standing data, such as fee structures, commission rates 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. No significant exceptions were noted.

Key audit matter continued

Type of revenue	Description, including fraud risk factors
Revenue streams calculated by management or a third party	The AMCs are manually calculated by an independent third party, based on the net asset value of the funds and the published AMC rate.
Annual management charges ('AMCs') relating to the Hargreaves Lansdown Multi-Manager funds and Select funds	Renewal commission is calculated by independent third parties. Gross interest on client money is calculated by management based on the deposit balance and the rate agreed with the bank.
Renewal commission	As a result, a material misstatement of revenue could arise from fraudulently manipulating manual calculations or spreadsheets errors.
Interest income on client money	
	The above key audit matter applies only to the group. The parent company does not report revenue.

How our audit addressed the key audit matter continued

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.

Renewal commission
On a sample basis, we agreed renewal commission to third party statements and bank statements. No exceptions were noted as part of testing.

All revenue streams

As part of our testing described above, we performed procedures to determine that revenue was recognised in the correct period. 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 7 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 99.5% of the group's profit before tax. An entity was considered to be financially significant if it contributed more than 5% of consolidated profit before tax. Specific audit procedures were also performed over consolidation adjustments, balances that could be tested at a group level which included intangible assets, staff costs, cash and cash equivalents, term deposits and material movements through the consolidated statement of changes in equity. All of the audit work was performed by the group engagement team in the UK as all books and records were available at one location.

The parent company is a holding company with investments in subsidiaries in the Hargreaves Lansdown plc group. It does not trade outside of the group. The only material income it received during the year was dividend income received from 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	£13.2 million (2016: £10.9 million).	£9.3 million (2016: £9.5 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 reporting unit in the scope of our group audit, we allocated a materiality that was less than our overall group materiality. The range of materiality allocated across reporting units was between £5.1 million and £11.9 million. Certain reporting units were audited to a 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 £660,000 (group audit) (2016: £540,000) and £465,000 (parent company audit) (2016: £475,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Going concern
In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the group's and the parent company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and parent company's ability to continue as a going concern.
We are required to report if the directors' statement relating to going concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

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

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

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006,(CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 June 2017 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 24 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 84 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 35, 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 48 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)

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 86, 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 4 years, covering the years ended 30 June 2014 to 30 June 2017.

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

14 August 2017

Section 1: Results for the year

Consolidated income statement

for the year ended 30 June 2017

	Note	**Year ended 30 June 2017 £m**	Year ended 30 June 2016 £m
Revenue		**385.7**	388.3
Commission payable		**(0.1)**	(61.8)
Net revenue	1.1	**385.6**	326.5
Fair value gains on derivatives		**2.2**	–
Operating costs	1.3	**(126.7)**	(108.2)
Operating profit		**261.1**	218.3
Finance income	1.6	**1.2**	0.6
Other gains	1.7	**3.5**	–
Profit before tax		**265.8**	218.9
Tax	1.8	**(53.8)**	(41.6)
Profit for the financial year		**212.0**	177.3
Attributable to:			
Owners of the parent		**211.7**	176.9
Non-controlling interest		**0.3**	0.4
		212.0	177.3
Earnings per share			
Basic earnings per share (pence)	1.9	**44.7**	37.4
Diluted earnings per share (pence)	1.9	**44.6**	37.3

The results relate entirely to continuing operations.

Consolidated statement of comprehensive income

for the year ended 30 June 2017

	Year ended 30 June 2017 £m	Year ended 30 June 2016 £m
Profit for the financial year	**212.0**	177.3
Total comprehensive income for the financial year	**212.0**	177.3
Attributable to:		
Owners of the parent	**211.7**	176.9
Non-controlling interest	**0.3**	0.4
	212.0	177.3

Notes to the Group financial statements – income statement

1.1 Net revenue

Revenue represents fees receivable from financial services provided to clients, net interest income on client money and management fees charged to clients. It relates to services provided in the UK and is stated net of value added tax.

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 discounts, VAT and other sales-related taxes.

Revenue is recognised as follows:

Management and platform fees are recognised on an accruals basis as they fall due.

The Group earns fees on transactions entered into on behalf of clients. The fee earned is recorded in the accounts on the date of the transaction, being the date on which services are provided to clients and the Group becomes entitled to the income.

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.

Renewal commission was also previously earned from fund managers based on the value of assets under the administration of the Group held within their funds. From 1 April 2016, as a result of the Retail Distribution Review (RDR), any renewal income was passed entirely to clients with neither income nor associated costs being recognised, hence the decrease in the amount in the current period.

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

	Year ended 30 June 2017 £m	Year ended 30 June 2016 £m
Revenue		
Revenue from services	**349.1**	357.1
Interest earned on client money	**36.6**	31.2
Total revenue	**385.7**	388.3
Commission payable	**(0.1)**	(61.8)
Net revenue	**385.6**	326.5

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.

In the current period, consideration has been given to the nature of the operating segments previously disclosed and it is the view of the Board and of the Executive Committee that there is in fact only one segment, being the Group – a direct-to-investor investment service administering investments in ISA, SIPP and Fund & Share accounts, providing services for individuals and corporates. It was considered that segmental reporting, as previously presented, did 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 operate in more than one location and, as a result, no geographical segments are reported.

The Group does not rely on any individual customer and so no additional customer information is reported.

Notes to the Group financial statements – income statement

1.3 Operating costs

Operating costs
Operating costs represent those arising as a result of our operations and include depreciation and amortisation. All amounts are recognised on an accruals basis.

Leasing
Rentals payable for assets under operating leases are charged to the consolidated income statement on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Marketing and distribution costs
Marketing and distribution costs include the advertising and marketing costs, as well as the cost of providing statements and information to clients.

Operating profit has been arrived at after charging:

	Year ended 30 June 2017 £m	Year ended 30 June 2016 £m
Depreciation of owned plant and equipment	**3.8**	3.5
Amortisation of other intangible assets	**2.3**	1.7
Marketing and distribution costs	**14.3**	11.2
Operating lease rentals payable – property	**2.5**	2.4
Other operating costs	**35.2**	29.2
Staff costs	**68.6**	60.2
Operating costs	**126.7**	108.2

1.4 Auditors' remuneration

The analysis of auditors' remuneration is as follows:

	Year ended 30 June 2017 £m	Year ended 30 June 2016 £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	**0.2**	0.1
Audit related assurance services	**0.2**	0.2
	0.4	0.3

1.5 Staff costs

Staff costs represent amounts paid to employees 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.

Share-based payments are accounted for in line with the policy as outlined in note 1.10.

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 2017 No.	Year ended 30 June 2016 No.
The average monthly number of employees of the Group (including Executive Directors) was:		
Operating and support functions	**709**	660
Administrative functions	**334**	309
	1,043	969

Their aggregate remuneration comprised:	**£m**	£m
Wages and salaries	**55.3**	49.3
Social security costs	**6.6**	5.9
Share-based payment expenses	**4.1**	2.5
Other pension costs	**5.3**	4.8
Staff costs	**71.3**	62.5
Capitalised in the year	**(2.7)**	(2.3)
Staff costs as a deduction to operating profit	**68.6**	60.2

The staff costs of £71.3 million (2016: £62.5 million) include costs capitalised under intangible assets as assets under construction. In total, £2.3 million of wages and salaries (2016: £2.0 million), social security costs of £0.3 million (2016: £0.2 million) and pension costs of £0.1 million (2016: £0.1 million) were capitalised.

1.6 Finance income

Interest income is accrued on a time basis by reference to the principal balance and the effective interest rate applicable for the office bank accounts.

Dividend income from investments is recognised when the rights to receive payment have been established.

	Year ended 30 June 2017 £m	Year ended 30 June 2016 £m
Interest on bank deposits	**1.0**	0.5
Dividends from equity investment	**0.2**	0.1
	1.2	0.6

Notes to the Group financial statements – income statement

1.7 Other gains

	Year ended 30 June 2017 £m	Year ended 30 June 2016 £m
Gain on disposals of available-for-sale investment	**3.7**	–
Gain on disposal of subsidiary	**0.1**	–
(Loss on disposal of office equipment)	**(0.3)**	–
	3.5	–

In April 2017, the Group entered into an agreement to sell 6,030 shares in Euroclear plc, its entire holding, for €750 per share – see note 2.4 for further details. A disposal of shares in a subsidiary company also took place in the year - see note 5.6 for further details.

In addition, the Group has disposed of a number of items of office equipment in the period, leading to a loss – see note 2.3 for further details.

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 2017 £m	Year ended 30 June 2016 £m
Current tax: on profits for the year	**52.4**	40.8
Current tax: adjustments in respect of prior years	**1.6**	(0.5)
Deferred tax (note 2.8):	**(0.4)**	0.2
Deferred tax: adjustments in respect of prior years (note 2.8)	**0.1**	1.1
Deferred tax: adjustments due to changes in tax rates	**0.1**	–
	53.8	41.6

Corporation tax is calculated at 19.75% of the estimated assessable profit for the year to 30 June 2017 (2016: 20.0%).

1.8 Tax (continued)

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 2017 £m	Year ended 30 June 2016 £m
Deferred tax relating to share-based payments	**0.9**	2.0
Current tax relating to share-based payments	**(1.5)**	(3.2)
	(0.6)	(1.2)

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 19.75%. Deferred tax has been recognised at 19% or 17%, being the rates expected to be in force at the time of the reversal of the temporary difference. A deferred tax asset in respect of future share option deductions has been recognised based on the Company's share price as at 30 June 2017.

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 has reduced the standard rate of UK corporation tax to 19% from 1 April 2017 and to 18% from 1 April 2020. The Finance Bill 2016 was substantively enacted on 6 September 2016 reducing the rate further to 17% from 1 April 2020.

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

	Year ended 30 June 2017 £m	Year ended 30 June 2016 £m
Profit before tax	**265.8**	218.9
Tax at the standard UK corporate tax rate of 19.75% (2016: 20.00%)	**52.5**	43.8
Non-taxable income	**(0.7)**	(2.8)
Items not allowable for tax	**0.2**	–
Adjustments in respect of prior years	**1.7**	0.6
Impact of the change in tax rate	**0.1**	–
Tax expense for the year	**53.8**	41.6
Effective tax rate	**20.2%**	19.0%

Notes to the Group financial statements – income statement

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 (EBT) reserve which have vested unconditionally with employees.

Diluted earnings per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

The weighted average number of anti-dilutive share options and awards excluded from the calculation of diluted earnings per share was 1,213,461 at 30 June 2017 (2016: 1,285,073).

	Year ended 30 June 2017 £m	Year ended 30 June 2016 £m
Earnings		
Earnings for the purposes of basic and diluted EPS – net profit attributable to equity holders of parent company	**211.7**	176.9
Number of shares		
Weighted average number of ordinary shares	**474,318,625**	474,318,625
Weighted average number of shares held by HL EBT	**(926,356)**	(1,976,360)
Weighted average number of shares held by HL EBT that have vested unconditionally with employees	**1,010,585**	559,604
Weighted average number of ordinary shares for the purposes of basic EPS	**474,402,854**	472,901,869
Weighted average number of dilutive share options held by HL EBT that have not vested unconditionally with employees	**562,587**	1,818,222
Weighted average number of ordinary shares for the purposes of diluted EPS	**474,965,441**	474,720,091

Earnings per share	**Pence**	Pence
Basic EPS	**44.7**	37.4
Diluted EPS	**44.6**	37.3

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 ten years. Options are exercisable at a price equal to the market value of the Company's shares on the date of grant. There are currently no performance conditions attached to any options granted under any of the schemes, with the exception of the Long-Term Incentive Plan (LTIP) – an executive option scheme; although options are forfeited (in most circumstances) if the employee leaves the Group before the options vest.

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

	Year ended 30 June 2017		Year ended 30 June 2016	
	Share options No.	**Weighted average exercise price Pence**	Share options No.	Weighted average exercise price Pence
SAYE				
Outstanding at beginning of the year	**1,247,344**	**712.2**	1,196,640	650.6
Granted during the year	**159,213**	**1,058.0**	228,955	1,028.0
Exercised during the year	**(514,169)**	**368.4**	(97,950)	473.3
Forfeited during the year	**(99,911)**	**945.4**	(80,301)	751.0
Outstanding at the end of the year	**792,477**	**975.4**	1,247,344	712.2
Exercisable at the end of the year	**14,386**	**526.6**	19,487	606.1
Executive Option Scheme				
Outstanding at beginning of the year	**4,189,294**	**945.8**	4,970,017	676.8
Granted during the year	**166,347**	**592.7**	1,540,174	1,185.1
Exercised during the year	**(579,015)**	**472.8**	(2,143,832)	475.3
Forfeited during the year	**(219,477)**	**1,123.9**	(177,065)	976.3
Outstanding at the end of the year	**3,557,149**	**995.2**	4,189,294	945.8
Exercisable at the end of the year	**860,199**	**962.0**	277,418	566.0
SIP				
Outstanding at beginning of the year	**51,975**	**23.5**	52,500	23.5
Exercised during the year	**(12,375)**	**23.5**	(525)	23.5
Outstanding at the end of the year	**39,600**	**23.5**	51,975	23.5
Exercisable at the end of the year	**39,600**	**23.5**	51,975	23.5

The weighted average market share price at the date of exercise for options exercised during the year was 1,342.60 pence (2016: 1,297.65 pence).

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

	Year ended 30 June 2017		Year ended 30 June 2016	
	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	**1,356,515**	**795.3**	1,679,957	562.72
1-2 years	**1,079,933**	**1,124.0**	490,387	642.70
2-3 years	**1,165,799**	**1,010.1**	2,111,948	1,058.04
3-4 years	**736,979**	**1,204.4**	1,206,321	1,124.63
4-5 years	**50,000**	**1,377.6**		
	4,389,226	**982.7**	5,488,613	883.96

Notes to the Group financial statements – income statement

1.10 Share-based payments (continued)

The fair value at the date of grant of options awarded during the year ended 30 June 2017 and the year ended 30 June 2016 has been estimated by the Black-Scholes methodology and the principal assumptions required by the methodology were as follows:

	At 30 June 2017	At 30 June 2016
Weighted average share price	**1,296.5p**	1,291.1p
Expected dividend yields	**2.61%**	2.67%
SAYE		
Weighted average exercise price	**1,058.0p**	1,028.0p
Expected volatility	**28%**	29%
Risk-free rate	**0.16%**	0.48%
Expected life	**3 years**	3 years
Fair value	**319.9p**	392.7p
Executive scheme		
Weighted average exercise price	**592.7p**	1,185.1p
Expected volatility	**30%**	30%
Risk-free rate	**0.34%**	1.20%
Expected life	**4.3 years**	3.8 years
Fair value	**762.9p**	267.9p

The expected volatility

The expected Hargreaves Lansdown plc share price volatility was determined by calculating the historical volatility of the Group's share price since flotation in May 2007.

Prior to 15 May 2007, the Company's shares were not listed on a stock exchange and therefore, no readily available market price existed for the shares. Since 15 May 2007, a quoted market price has been available for the Company's shares.

The Group recognised total expenses related to equity-settled share-based payment transactions as shown in note 1.5.

Section 2: Assets and liabilities

Consolidated statement of financial position

as at 30 June 2017

	Note	At 30 June 2017 £m	At 30 June 2016 £m
ASSETS			
Non-current assets			
Goodwill	2.1	**1.3**	1.3
Other intangible assets	2.2	**11.9**	7.1
Property, plant and equipment	2.3	**11.7**	11.1
Deferred tax assets	2.8	**2.0**	2.7
		26.9	22.2
Current assets			
Trade and other receivables	2.6	**628.8**	617.0
Cash and cash equivalents	2.7	**81.4**	211.4
Investments	2.4	**4.1**	1.0
Derivative financial instruments	2.5	**0.3**	–
		714.6	829.4
Total assets		**741.5**	851.6
LIABILITIES			
Current liabilities			
Trade and other payables	2.9	**411.5**	581.7
Derivative financial instruments	2.5	**0.2**	–
Current tax liabilities		**21.5**	15.2
		433.2	596.9
Net current assets		**281.4**	232.5
Non-current liabilities			
Provisions	2.10	**0.6**	0.5
Total liabilities		**433.8**	597.4
Net assets		**307.7**	254.2
EQUITY			
Share capital	3.1	**1.9**	1.9
Shares held by EBT reserve	3.1	**(7.0)**	(14.9)
EBT reserve	3.1	**7.9**	12.0
Retained earnings	3	**304.1**	254.7
Total equity, attributable to the owners of the parent		**306.9**	253.7
Non-controlling interest	3.1	**0.8**	0.5
Total equity		**307.7**	254.2

The consolidated financial statements on pages 98 to 131 were approved by the Board of Directors and authorised for issue on 14 August 2017 and signed on its behalf by:

Philip Johnson
Chief Financial Officer

Notes to the Group financial statements – consolidated statement of financial position

2.1 Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the cash-generating unit expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are reviewed for impairment at least annually as a matter of course, and whenever an event or change in circumstances occurs which indicates potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

	Year ended 30 June 2017 £m	Year ended 30 June 2016 £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 2020 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 2017, as a result there are no factors indicating goodwill is impaired.

2.2 Other intangible assets

Intangible assets excluding goodwill
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 an acquired book of business and does not include internally generated client lists. The carrying value of the asset 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, as well as internally generated systems improvements. 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.

Included in computer software are IT development costs that are capitalised only to the extent that they lead to the creation of an enduring asset, which delivers benefits at least as great as the amount capitalised and in accordance with the recognition criteria of IAS 38 Intangible assets. Development work has been undertaken in-house by IT staff and management to enhance the key operating systems. 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 system of eight years. This key operating system is fundamental to the operation of the platform, which holds client assets, enabling revenue to be earned. Where such costs relate to an asset that is not yet fully available for use by the business, they have been separately classified as assets under construction, they are reviewed for impairment at least annually.

Assets under construction
Hargreaves Lansdown Savings Limited
In-house development work has also been undertaken in Hargreaves Lansdown Savings Limited to develop a digital cash savings product. Demand, and the feasibility for these services, was established in the year to 30 June 2015, and subsequently, a business plan was constructed that formed part of the strategic initiatives approved by the Board. Development commenced in the year to 30 June 2016 and the Group is committed to the completion and launch of the services in the next financial year and is committed to providing the financial resources required to see it through to expected profitability. In accordance with IAS 38 the development costs are being capitalised and are recognised initially at cost.

Impairment of intangible assets excluding goodwill
At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the loss. Where the asset does not generate cash flows, independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Recoverable amount is the higher of fair value, less costs to sell, and value in use.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and an impairment loss is recognised as an expense immediately.

Notes to the Group financial statements – consolidated statement of financial position

2.2 Other intangible assets (continued)

	Customer list £m	Computer software £m	Assets under construction £m	Total £m
Cost				
At 1 July 2015	–	6.2	2.5	8.7
Additions	0.4	1.4	2.3	4.1
At 30 June 2016	0.4	7.6	4.8	12.8
Additions	–	2.7	5.7	8.4
Impairments	–	(0.3)	(1.1)	(1.4)
At 30 June 2017	0.4	10.0	9.4	19.8
Accumulated amortisation				
At 1 July 2015	–	3.9	0.1	4.0
Charge	–	1.3	0.4	1.7
At 30 June 2016	–	5.2	0.5	5.7
Charge	0.1	1.7	0.5	2.3
Impairment	–	(0.1)	–	(0.1)
At 30 June 2017	0.1	6.8	1.0	7.9
Carrying amount				
At 30 June 2017	0.3	3.2	8.4	11.9
At 30 June 2016	0.4	2.4	4.3	7.1
At 30 June 2015	–	2.3	2.4	4.7

The amortisation charge above is included in other operating costs in the income statement.

The customer list is a separately acquired intangible asset and does not include any internally generated element. The remaining amortisation period for this asset is seven years.

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

During the year the Group has impaired the Peer to Peer lending platform that was previously being developed by Hargreaves Lansdown Savings Limited. The impairment impacted both "assets under construction" and "computer software", leading to a loss of £1.2 million. The gross value of costs capitalised was £1.3 million. Other impairments have been made in the period to computer software with a carrying value of £0.1m.

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 (which 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 2015	20.6	6.1	26.7
Additions	2.4	0.2	2.6
At 30 June 2016	23.0	6.3	29.3
Additions	2.0	2.7	4.7
Disposals	–	(0.8)	(0.8)
At 30 June 2017	25.0	8.2	33.2
Accumulated depreciation			
At 1 July 2015	11.3	3.4	14.7
Charge	2.9	0.6	3.5
At 30 June 2016	14.2	4.0	18.2
Charge	3.1	0.7	3.8
Disposal	–	(0.5)	(0.5)
At 30 June 2017	17.3	4.2	21.5
Carrying amount			
At 30 June 2017	7.7	4.0	11.7
At 30 June 2016	8.8	2.3	11.1
At 30 June 2015	9.3	2.7	12.0

During the year, the company disposed of £0.8 million of office equipment, with a carrying value of £0.3 million, for nil proceeds. A loss of £0.3 million was recognised in the consolidated income statement.

Notes to the Group financial statements – consolidated statement of financial position

2.4 Investments

Investments are recognised in the Group's statement of financial position, on trade date, when the Group becomes party to the contractual provisions of an instrument and are initially measured at cost.

Investments that are designated as being held at fair value through profit or loss are carried at fair value, being the quoted market price of the listed investment, with any gain or loss reported within the income statement. An investment is classified in this category if it is held principally for the purpose of selling in the short-term.

Available-for-sale assets are included at cost upon initial recognition and have been subsequently remeasured at fair value. Where it is not possible to determine a fair value through the use of a quoted market price or other valuation technique, available-for-sale investments are carried at cost.

The Group derecognises financial assets only when the contractual rights to the cash flows, or substantially all of the risks and rewards of ownership from the asset are transferred or expire. On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable, as well as the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity, is recognised in profit or loss.

	Year ended 30 June 2017 £m	Year ended 30 June 2016 £m
At beginning of year	**1.0**	0.9
Purchases	**3.4**	0.1
Disposals	**(0.3)**	–
At end of year	**4.1**	1.0
Comprising:		
Current asset investment – UK listed securities valued at quoted market price	**4.1**	0.7
Current asset investment – unlisted securities valued at cost	**–**	0.3

£4.1 million (2016: £0.7 million) of investments are classified as held at fair value through profit and loss, being deal-related short-term investments and holdings in the HL multi-manager funds as a result of the daily box position – see note 5.8 for more details.

At the year ended 30 June 2017, £nil (2016: £0.3 million) are classified as available-for-sale. During the year, the investment previously held as available-for-sale, was sold for £4.0 million. This led to a gain of £3.7 million, with the investment previously having been held at cost, which has been recognised in the consolidated income statement in the year (see note 1.7).

2.5 Derivative financial instruments

The Group enters into short-term derivative financial instruments as a result of the currency service and overseas trading services offered to its clients. Derivatives are initially recognised at fair value at the date a derivative contract is entered into, and are subsequently remeasured to their fair value at the end of each reporting period, if applicable. The resulting gain or loss is recognised immediately in the income statement.

	Year ended 30 June 2017 £m	
	Assets	**Liabilities**
At end of year	**0.3**	**0.2**

Derivative contracts are short-term counterparty positions between the Group, its clients and third parties in the market. As a result there are derivative liabilities and derivative assets presented in the statement of financial position in respect of open positions at year end. All derivative positions are recognised as current assets or liabilities.

At the end of the prior period, the Group did not hold material open positions and as such did not present a derivative balance.

£2.2 million (2016: £nil) of gains have been made, on a net basis, as a result of the fair value movements on derivatives in the period.

2.6 Trade and other receivables

Financial assets are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Trade receivables
Trade receivables are measured at amortised cost using the effective interest method and classified as loans and receivables in line with IAS 39. Appropriate allowances for estimated irrecoverable amounts are made and recognised in the income statement when there is objective evidence that the asset is impaired.

Term deposits
Term deposits comprise cash deposits held by UK licensed banks for a period of greater than three months, over which there is no recall during the term of the deposit. The amounts are measured at amortised cost using the effective interest method and classified as loans and receivables in line with IAS 39.

Accrued income
Accrued income relates to balances for which the Group has provided services, but balances are billed in arrears and as such are not yet due. The amount relates to fund management fees, interest on deposits and services direct to clients. The revenue is recognised evenly over the period during which services are provided, with initial recognition occurring at commencement of the agreement or period.

	Year ended 30 June 2017 £m	Year ended 30 June 2016 £m
Financial assets:		
Trade receivables	**401.1**	576.4
Term deposits	**180.0**	-
Other receivables	**1.5**	0.6
	582.6	577.0
Non-financial assets:		
Accrued income	**40.0**	33.5
Prepayments	**6.2**	6.5
	628.8	617.0

In accordance with market practice, certain balances with clients, Stock Exchange member firms and other counterparties totalling £378.6 million (2016: £560.9 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 £483.4 million (2016: £718.0 million) and the gross amount offset in the statement of financial position with trade payables is £104.8 million (2016: £157.2 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.

Notes to the Group financial statements – consolidated statement of financial position

2.7 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits that are readily convertible to a known amount of cash, considered to be holdings of less than three months or those over which the Group has an immediate right of recall. They are initially classified as loans and receivables, which means they are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method. The carrying amount of these assets is approximately equal to their fair value.

Where the Group holds deposits on unbreakable terms greater than three months, these are classified as receivables. In the current year, the balance of these deposits was £180.0 million, compared to £nil in the prior year.

	Year ended 30 June 2017 £m	Year ended 30 June 2016 £m
Cash and cash equivalents:		
Restricted cash – balances held by EBT	**5.5**	3.2
Group cash and cash equivalent balances	**75.9**	208.2
	81.4	211.4

At 30 June 2017, 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 £8,243 million (2016: £6,953 million). In addition, there were currency service cash accounts held on behalf of clients not governed by the client money rules of £13.4 million (2016: £18.0 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.

2.8 Deferred tax assets

Deferred tax assets arise because of temporary timing differences only. The following are the major deferred tax assets recognised and movements thereon during the current and prior reporting years. Deferred tax has been recognised at 19% or 17%, being the rate expected to be in force at the time of the reversal of the temporary difference.

	Accelerated tax depreciation £m	Share-based payments £m	Other deductible temporary differences £m	**Total £m**
At 1 July 2015	0.2	4.7	1.2	**6.1**
Charge to income	–	(0.3)	(1.1)	**(1.4)**
Charge to equity	–	(2.0)	–	**(2.0)**
At 30 June 2016	0.2	2.4	0.1	**2.7**
Charge to income	(0.3)	0.3	0.2	**0.2**
Charge to equity	–	(0.9)	–	**(0.9)**
At 30 June 2017	(0.1)	1.8	0.3	**2.0**
Deferred tax expected to be recovered or settled:				
Within 1 year after reporting date	(0.1)	1.0	0.3	**1.2**
>1 year after reporting date	–	0.8	–	**0.8**
	(0.1)	1.8	0.3	**2.0**

2.9 Trade and other payables

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Trade payables

Trade payables are measured at amortised cost using the effective interest method. In accordance with market practice, certain balances with clients, Stock Exchange member firms and other counterparties are included as creditors.

	Year ended 30 June 2017 £m	Year ended 30 June 2016 £m
Financial liabilities		
Trade payables	**375.5**	556.8
Social security and other taxes	**8.0**	7.3
Other payables	**13.1**	3.9
	396.6	568.0
Non-financial liabilities		
Accruals	**14.3**	13.4
Deferred income	**0.6**	0.3
	411.5	581.7

In accordance with market practice, certain balances with clients, Stock Exchange member firms and other counterparties totalling £374.9 million (2016: £555.5 million) are included in trade payables, similarly with the treatment of trade receivables. As stated in note 2.6 above, where we have a legal right of offset and the ability and intention to settle net, trade payable balances have been presented net.

Other payables principally comprise amounts owed to staff as a bonus and rebates due to the regulated funds operated by the Group. Accruals and deferred income principally comprise amounts outstanding for trade purchases and revenue received but not yet earned on corporate pension schemes, where an ongoing service is still being provided.

Notes to the Group financial statements – consolidated statement of financial position

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 2015	**0.2**
Charged during the year	**0.3**
At 30 June 2016	**0.5**
Charged during the year	**0.1**
At 30 June 2017	**0.6**

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 2017

	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 1 July 2015	1.9	(13.1)	12.7	235.0	**236.5**	0.5	**237.0**
Total comprehensive income	–	–	–	176.9	**176.9**	0.4	**177.3**
Employee Benefit Trust							
Shares sold in the year	–	14.1	–	–	**14.1**	–	**14.1**
Shares acquired in the year	–	(15.9)	–	–	**(15.9)**	–	**(15.9)**
EBT share sale	–	–	(3.4)	–	**(3.4)**	–	**(3.4)**
Reserve transfer on exercise of share options			2.7	(2.7)	**–**	–	**–**
Employee share option scheme							
Share-based payments expense	–	–	–	2.5	**2.5**	–	**2.5**
Current tax effect of share-based payments (note 1.8)	–	–	–	3.2	**3.2**	–	**3.2**
Deferred tax effect of share-based payments (note 1.8)	–	–	–	(2.0)	**(2.0)**	–	**(2.0)**
Dividend paid (note 3.2)	–	–	–	(158.2)	**(158.2)**	(0.4)	**(158.6)**
At 30 June 2016	1.9	(14.9)	12.0	254.7	**253.7**	0.5	**254.2**
Total comprehensive income	–	–	–	211.7	**211.7**	0.3	**212.0**
Employee Benefit Trust							
Shares sold in the year	–	10.8	–	–	**10.8**	–	**10.8**
Shares acquired in the year	–	(2.9)	–	–	**(2.9)**	–	**(2.9)**
EBT share sale	–	–	(6.6)	–	**(6.6)**	–	**(6.6)**
Reserve transfer on exercise of share options			2.5	(2.5)	**–**	–	**–**
Employee share option scheme							
Share-based payments expense	–	–	–	4.1	**4.1**	–	**4.1**
Current tax effect of share-based payments (note 1.8)	–	–	–	1.5	**1.5**	–	**1.5**
Deferred tax effect of share-based payments (note 1.8)	–	–	–	(0.9)	**(0.9)**	–	**(0.9)**
Dividend paid (note 3.2)	–	–	–	(164.5)	**(164.5)**	–	**(164.5)**
At 30 June 2017	1.9	(7.0)	7.9	304.1	**306.9**	0.8	**307.7**

Notes to the Group financial statements – consolidated statement of changes in equity

3.1 Share capital

	Year ended 30 June 2017 £m	Year ended 30 June 2016 £m
Authorised: 525,000,000 (2015: 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 the EBT reserve represents the cost of shares in Hargreaves Lansdown plc purchased in the market and held by the Hargreaves Lansdown plc 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 Hargreaves Lansdown EBT. The reserve is not distributable by the Company as the assets and liabilities of the EBT are subject to management by the Trustees in accordance with the EBT trust deed.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the minority's proportion of the net fair value of the assets and liabilities acquired at the date of the original business combination and the non-controlling interest's change in equity since that date. The non-controlling interest represents a 22% shareholding in Library Information Services Limited and a 7.5% shareholding in Hargreaves Lansdown Savings Limited, which are both subsidiaries of the Company.

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 2017 £m	Year ended 30 June 2016 £m
2016 second interim dividend of 16.3p (2015: 14.3p) per share	**77.0**	67.5
2016 special dividend of 9.9p (2015: 11.4p) per share	**46.8**	53.9
2017 first interim dividend of 8.6p (2016: 7.8p) per share	**40.7**	36.8
Total dividends paid during the year	**164.5**	158.2

After the end of the reporting period, the Directors declared a final ordinary dividend of 20.4 pence per share payable on 20 October 2017 to shareholders on the register on 29 September 2017. 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 2018 financial statements as follows:

	£m
2017 final dividend of 20.4p (2016 second interim dividend: 16.3p) per share	**96.6**

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 2017 No. of shares	Year ended 30 June 2016 No. of shares
Number of shares held by the Hargreaves Lansdown Employee Benefit Trust	**917,011**	1,776,305
Representing % of called-up share capital	**0.18%**	0.37%

Consolidated statement of cash flows

for the year ended 30 June 2017

	Note	Year ended 30 June 2017 £m	Year ended 30 June 2016 £m
Net cash from operating activities			
Profit for the year after tax		**212.0**	177.3
Adjustments for:			
Investment revenues		**(1.2)**	(0.6)
Income tax expense		**53.8**	41.6
Gains on disposal of investments		**(3.5)**	–
Depreciation of plant and equipment		**3.8**	3.5
Amortisation of intangible assets		**2.3**	1.7
Impairment of intangible assets		**1.2**	–
Share-based payment expense		**4.1**	2.5
Increase in provisions		**0.1**	0.3
Operating cash flows before movements in working capital		**272.6**	226.3
Decrease/(increase) in receivables		**168.2**	(205.3)
(Decrease)/Increase in payables		**(170.2)**	184.4
Net derivative movement		**(0.1)**	–
Cash generated from operations		**270.5**	205.4
Income tax paid		**(44.7)**	(40.8)
Net cash generated from operating activities		**225.8**	164.6
Investing activities			
Increase in term deposits		**(180.0)**	–
Interest received		**1.0**	0.5
Dividends received from investments		**0.2**	0.2
Purchase of property, plant and equipment		**(4.7)**	(2.6)
Purchase of intangible assets		**(8.4)**	(4.1)
Purchase of investments		**(3.4)**	(0.1)
Proceeds on disposal of investments		**2.7**	–
Net cash used in investing activities		**(192.6)**	(6.1)
Financing activities			
Purchase of own shares in EBT		**(2.9)**	(15.9)
Proceeds on sale of own shares in EBT		**4.2**	10.7
Dividends paid to owners of the parent		**(164.5)**	(158.2)
Dividends paid to non-controlling interests		**–**	(0.4)
Net cash used in financing activities		**(163.2)**	(163.8)
Net (decrease) in cash and cash equivalents		**(130.0)**	(5.3)
Cash and cash equivalents at beginning of year	2.7	**211.4**	216.7
Cash and cash equivalents at end of year	2.7	**81.4**	211.4

Section 5: Other notes

Notes to the Group financial statements – other

5.1 General information

Hargreaves Lansdown plc (the "Company") and ultimate parent of the Group is a company incorporated and domiciled in the United Kingdom under the Companies Act 2006 whose shares are publicly traded on the London Stock Exchange. The address of the registered office is One College Square South, Anchor Road, Bristol BS1 5HL, United Kingdom. The nature of the Group's operations and its principal activities are set out in the Operating and Financial Review.

These financial statements are presented in millions of pounds sterling (£m) which is the currency of the primary economic environment in which the Group operates.

Basis of preparation

The consolidated financial statements of Hargreaves Lansdown plc have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretation Committee (IFRS IC) interpretations as adopted by the European Union (EU), and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements are prepared on a going concern basis as discussed on page 84.

The preparation of financial statements in conformity with IFRSs 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.

In the current period, the Group has adopted a new format for the financial statements. This has been done to allow users to better understand the primary statements and the related balances that make them up. We have also simplified our reporting of revenue and operating costs to ensure that the information provided is pertinent and indicates the balances of most importance, whilst ensuring conformity with IFRSs. 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.

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 2017. 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.

Notes to the Group financial statements – other

5.1 General information (continued)

Application of new standards
In the current year, the following new and revised standards and interpretations have been adopted and have not affected the amounts reported or the accounting policies in these financial statements:

- Annual improvements to IFRS 2012-2014 cycle:
  - Amendments to IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations', which clarifies that the reclassification of an asset from held for sale to held for distribution to owners is a continuation of the original plan of disposal.
  - Amendments to IFRS 7, 'Financial Instruments: Disclosures', which provides additional guidance on whether a service contract constitutes continuing involvement in a transferred asset.
  - Amendments to IAS 19, 'Defined Benefit Plans', which clarifies that the rate used to discount post-employment benefit obligations should be determined by reference to market yields.
- Amendment to IAS 27, 'Separate Financial Statements';
- Amendments to IFRS 11 'Joint Arrangements'
- Amendments to IAS 1 'Disclosure Initiative'
- Amendments to IAS 16 'Property, Plant and Equipment' & IAS 38 'Intangible Assets'
- Amendments to IAS 16 'Property, Plant and Equipment' & IAS 41 'Agriculture'
- Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates'

At the date of authorisation of these financial statements, the following standards and interpretations which have not yet been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

- IFRS 9 'Financial Instruments'
- IFRS 15 'Revenue from Contracts with Customers'
- IFRS 16 'Leases'
- Amendments to IFRS 10 'Consolidated Financial Statements'
- Amendment to IAS 40 'Investment Property'
- Amendments to IFRS 2 'Share-based Payments'
- Amendments to IFRS 15 'Revenue from Contracts with Customers'
- Amendments to IAS 7 'Cash-flow Statements'
- Amendments to IAS 12 'Income Taxes'
- Amendments to IAS 28 'Equity Method'

The Directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group in future periods, however; it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

No early adoption of accounting standards has occurred for the years ended 30 June 2017 or 30 June 2016.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are set out in the relevant notes to the financial statements.

Accounting policies as shown in the 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 2017 £m	Year ended 30 June 2016 £m
Minimum lease payments under operating lease recognised as an expense in the year	**2.5**	2.4
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	**2.8**	2.8
In the second to fifth years inclusive	**11.2**	11.2
After five years	**11.9**	14.7
Total minimum lease payments	**25.9**	28.7

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 £1.8 million (2016: £1.1 million) for IT equipment.

5.4 Subsidiaries

A list of the investments in subsidiaries included in the consolidated results of Hargreaves Lansdown plc is shown in note 6.4 to the parent company financial statements. Also included in the Group Consolidated Financial Statements are "The Hargreaves Lansdown Employee Benefit Trust", "The Hargreaves Lansdown plc SIP Trust" and the Share Incentive Plan.

5.5 Events after the reporting period

On 14 August 2017 the Directors proposed a final ordinary dividend payment of 20.4 pence per ordinary share, payable on 20 October 2017 to all shareholders on the register at the close of business on 29 September 2017 as detailed in note 3.2.

In prior periods a special dividend has been declared to accompany the ordinary dividend, however, as outlined in the Operating and financial review, no special dividend will be paid for 2017.

Notes to the Group financial statements – other

5.6 Related party transactions

The Company has a related party relationship with its subsidiaries, and with 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 2017 and 30 June 2016, the Company has been party to a lease with Peter Hargreaves, a Director until 14 April 2015, for rental of the old head office premises at Kendal House. A ten-year lease was signed on 6 April 2011 for a rental of part of the building, to be used for disaster recovery purposes at a market rate rent of £0.1 million per annum. No amount was outstanding at either year end.

On 12 October 2016, the Company sold 7.5% of the ordinary share capital it held in its subsidiary undertaking Hargreaves Lansdown Savings Limited (HLS). The shares were sold to Stuart Louden, the Group Savings Director and currently the only other shareholder, who is an employee of Hargreaves Lansdown Asset Management Limited. The price paid per share was £1,000. As there is no readily available market for these shares the Directors had to assess a valuation based on the risks and rewards of the parties involved, given the uncertainty of establishing a new start up entity and its future potential. As a result HLS was valued at £1 million and the Directors of the Company therefore, deemed £1,000 per share to be a fair price in the circumstances. The total amount paid was £75,000 and this was settled immediately in cash. Following the share sale the Company now holds 92.5% of the ordinary share capital in HLS and Stuart Louden holds 7.5%. The transaction was completed in order to provide incentive to Stuart Louden to successfully develop the business of HLS into a profitable company. In addition, the Company has granted Stuart Louden an option to purchase a further 2.5% of the ordinary share capital at a price of £500,000. This purchase option may be exercised at any time prior to 31 August 2021 provided that at the time of exercise Stuart Louden is an employee of a Hargreaves Lansdown Group company and he has not at any time given notice to terminate such employment. The options have no value at current beyond what was paid and as such do not appear in the Share Based Payments note in note 1.10.

During the years ended 30 June 2017 and 30 June 2016, 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 2017 £m	Year ended 30 June 2016 £m
Short-term employee benefits	**7.7**	6.4
Post-employment benefits	**0.1**	0.3
Termination benefits	**–**	0.3
Share-based payments	**2.0**	1.2
	9.8	8.2

In addition to the amounts above, seven key management personnel (2016: seven) received gains of £1.2 million (2016: £6.7 million) as a result of exercising share options. During the year, no awards were made under the long- term incentive schemes for key management personnel (2016: nine).

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 2017 £m	Year ended 30 June 2016 £m
Short-term employee benefits	**3.7**	2.8
Post-employment benefits	**–**	–
Termination benefits	**–**	–
Share-based payments	**1.1**	0.5
	4.8	3.3

In addition to the amounts above, Directors of the Company received gains of £0.6 million relating to the exercise of share options (2016: £0.4 million).

	Year ended 30 June 2017 £m	Year ended 30 June 2016 £m
Emoluments of the highest paid Director	**1.7**[1]	2.0[1]
	No.	No.
Number of Directors who exercised share options during the year	**2**[2]	1
Number of Directors who were members of money purchase pension schemes	**2**[2]	2

1 The highest paid Director was the Chief Executive Officer and full details of his emoluments can be found in the audited 'Remuneration payable' table in the Directors' remuneration report.
2 This includes the former Chief Executive Officer in the period up to the date of his resignation.

Any amounts outstanding with related parties are unsecured and will be settled in cash. No guarantees have been given or received in respect of amounts outstanding. No provisions have been made for doubtful debts in respect of the amounts owed by the related parties.

Notes to the Group financial statements – other

5.7 Financial instruments

Financial instruments include both assets and liabilities. Financial assets principally comprise trade and other receivables, cash and cash equivalents, current asset listed investments and derivative financial instruments. Financial liabilities comprise certain provisions, trade and other payables, and derivative financial instruments.

At 30 June	Financial assets at fair value through profit and loss		Loans and receivables		Financial liabilities measured at amortised cost		Total	
	2017 £m	2016 £m	**2017 £m**	2016 £m	**2017 £m**	2016 £m	**2017 £m**	2016 £m
Financial assets								
Investments:								
Held for trading assets	**4.1**	0.7	**–**	–	**–**	–	**4.1**	0.7
Available-for-sale assets	**–**	0.3	**–**	–	**–**	–	**–**	0.3
Derivative financial instruments	**0.3**	–	**–**	–	**–**	–	**0.3**	–
Trade and other receivables:								
Trade receivables	**–**	–	**401.1**	576.4	**–**	–	**401.1**	576.4
Other receivables	**–**	–	**1.5**	0.6	**–**	–	**1.5**	0.6
Cash and cash equivalents	**–**	–	**81.4**	211.4	**–**	–	**81.4**	211.4
Term deposits	**–**	–	**180.0**	–	**–**	–	**180.0**	–
Total financial assets	**4.4**	1.0	**664.0**	788.4	**–**	–	**668.4**	789.4
Financial liabilities								
Derivative financial instruments	**0.2**	–	**–**	–	**–**	–	**0.2**	–
Trade payables	**–**	–	**–**	–	**375.5**	556.8	**375.5**	556.8
Other payables	**–**	–	**–**	–	**21.1**	11.2	**21.1**	11.2
Total financial liabilities	**0.2**	–	**–**	–	**396.6**	568.0	**396.8**	568.0

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 2017				
Financial assets at fair value through profit or loss	**4.1**	**–**	**–**	**4.1**
Trading derivatives:				
Foreign exchange Assets	**–**	**0.3**	**–**	**0.3**
Foreign exchange Liabilities	**–**	**(0.2)**	**–**	**(0.2)**
	4.1	**0.1**	**–**	**4.2**
At 30 June 2016				
Financial assets at fair value through profit or loss	0.7	–	–	0.7
Available-for-sale financial assets	–	–	0.3	0.3
	0.7	–	0.3	1.0

There were no transfers between Level 1 and Level 2 assets during the year (2016: £nil); there has been a reduction in Level 3 assets, of £0.3 million, owing to the sale of an equity investment in the period – see note 2.4 for further details.

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period.

Instruments included in Level 1 comprise primarily equity investments and fund units entered into on a counter-party basis. As such there is no recurring valuation of financial instruments between reporting periods.

The fair value of financial instruments that are 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 2017, the value of financial instruments on the Group Statement of Financial Position exposed to interest rate risk was £261.4 million (2016: £211.4 million) comprising cash, cash equivalents and term deposits.

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

	2017 £m	2016 £m
+50bps (0.5%)	**1.0**	0.5
-50bps (-0.5%)	**(1.0)**	(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 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 £8,243 million at 30 June 2017 (2016: £6,953 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 corporate investments held on the Group statement of financial position. At 30 June 2017, the fair value of investments recognised on the Group statement of financial position was £4.1 million (2016: £1.0 million). A 20% move in equity prices, in isolation, would have an impact of £0.8 million (2016: £0.2 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.

Notes to the Group financial statements – other

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 2017				At 30 June 2016			
	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	**375.5**	**–**	**–**	**375.5**	556.8	–	–	556.8
Other payables	**20.4**	**–**	**0.7**	**21.1**	9.7	–	1.5	11.2
Derivative liabilities at FVTPL	**0.1**	**0.1**	**–**	**0.2**	–	–	–	–
	396.0	**0.1**	**0.7**	**396.8**	566.5	–	1.5	568.0

Credit risk
The Group's credit risk is spread over a large number of counterparties and customers.

The Group is exposed to credit risk from counterparties to securities transactions during the period between the trade date and the ultimate settlement date if the counterparty fails either to deliver securities or to make payment. Settlement risk is substantially mitigated as a result of the delivery versus payment mechanism whereby if a counterparty fails to make payment the securities would not be delivered to the counterparty. Therefore the risk exposure is to an adverse movement in market prices between the time of trade and settlement. Conversely, if a counterparty fails to deliver securities, no payment would be made.

The trade receivables presented in the statement of financial position are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

Also included within trade and other receivables in the statement of financial position are term deposits, these are deposits with UK licenced banks for a period of three months or greater, where the Group does not have immediate recall on the cash. The maximum amount of time that these deposits are outstanding at year end is 13 months.

Cash is held with UK licensed banks. The credit risk on liquid funds is minimised by only depositing with UK-regulated banks and the Group takes a conservative approach to treasury management, carrying out regular reviews of all its banks' and custodians' credit ratings.

As at the end of the reporting period, no financial assets were individually determined to be impaired.

The following table discloses the Group's maximum exposure to credit risk on financial assets.

	At 30 June 2017 £m	At 30 June 2016 £m
Loans and receivables at amortised cost		
Cash and cash equivalents	**81.4**	211.4
Trade and other receivables	**402.6**	577.0
Term deposits	**180.0**	–
Financial assets at fair value through profit or loss		
Financial investments	**4.1**	0.7
Derivative financial assets	**0.3**	–
Available-for-sale financial assets		
Financial investments	**–**	0.3
	668.4	789.4

The following table contains an analysis of financial assets that are past due but not impaired at the end of the reporting period. An asset is past due when the counterparty has failed to make a payment when contractually due.

	Neither impaired nor past due £m	0-3 months past due £m	3-6 months past due £m	6-12 months past due £m	Over 12 months past due £m	**Total £m**
At 30 June 2017						
Trade and other receivables:						
Trade receivables	394.4	4.4	1.4	0.7	0.2	**401.1**
Other receivables	1.5	–	–	–	–	**1.5**
Term deposits	180.0	–	–	–	–	**180.0**
Derivative assets	0.3	–	–	–	–	**0.3**
	576.2	4.4	1.4	0.7	0.2	**582.9**
Held-for-trading assets	4.1	–	–	–	–	**4.1**
	580.3	4.4	1.4	0.7	0.2	**587.0**
At 30 June 2016						
Trade and other receivables:						
Trade receivables	574.2	0.9	0.8	0.4	0.1	**576.4**
Other receivables	0.6	–	–	–	–	**0.6**
	574.8	0.9	0.8	0.4	0.1	**577.0**
Held-for-trading assets	0.7	–	–	–	–	**0.7**
Available-for-sale assets	0.3	–	–	–	–	**0.3**
	575.8	0.9	0.8	0.4	0.1	**578.0**

During the year, we have provided for an amount of £nil (2016: £nil) in respect of receivables we do not expect to recover. At the end of the reporting period, £0.4 million (2016: £0.5 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 (2016: £nil).

The following table shows the credit quality of financial assets that are neither past due nor impaired using the following counterparty grading:

- Financial institutions

In respect of trade receivables, £96.6 million (2016: £159.3 million) is due from financial institutions regulated by the Financial Conduct Authority (FCA) in the course of settlement as a result of daily trading and £2.4 million (2016: £0.4 million) relates to revenue items due from financial institutions regulated by the FCA.

- Individuals

In respect of trade receivables, the balance is related to amounts due from individual clients in the course of settlement as a result of daily trading.

Notes to the Group financial statements – other

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 2017				
Trade receivables	101.2	0.2	293.1	**394.5**
Other receivables	1.5	–	–	**1.5**
Term deposits	180.0	–	–	**180.0**
Derivative assets	0.1		0.2	**0.3**
Held-for-trading assets	4.1	–	–	**4.1**
	286.9	0.2	293.3	**580.4**
At 30 June 2016				
Trade receivables	159.7	0.2	414.3	**574.2**
Other receivables	0.6	–	–	**0.6**
Held-for-trading assets	0.7	–	–	**0.7**
Available-for-sale assets	0.3	–	–	**0.3**
	161.3	0.2	414.3	**575.8**

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 Financial Conduct Authority (FCA). Capital adequacy and the use of regulatory capital are monitored by the Group's management and Board.

Regulatory capital is determined in accordance with the requirements of the Capital Requirements Directive IV prescribed in the UK by the FCA. The Directive requires continual assessment of the Group's risks in order to ensure that the higher of Pillar 1 (Minimum Capital Requirements) and Pillar 2 (Supervisory Review) requirements is met.

Pillar 1 imposes a minimum capital requirement on investment firms which is calculated as the higher of the sum of the credit and market risk capital requirements and the fixed overheads requirement (FOR). The FOR equates to 25% of the fixed overheads reported in the most recent audited financial statements.

Pillar 2 requires investment firms to assess firm-specific risks not covered by the formulaic requirements of Pillar 1; the objective of this being to ensure that investment firms have adequate capital to enable them to manage their risks. The Group completes its assessment of regulatory capital requirements using its ICAAP under Pillar 2, which is a forward looking exercise that includes stress testing on major risks, such as a significant market downturn, and identifying mitigating action.

As required by the FCA, Hargreaves Lansdown holds capital based on a multiple of Pillar 1 and maintains a significant surplus over this requirement at all times.

The Group manages its retained earnings, share capital and share premium which total £306.0 million as at 30 June 2017 (2016: £256.5 million). Surplus regulatory capital was maintained throughout the year at both a consolidated Group level, as well as at an individual regulated entity level. Under the requirements of Pillar 3 (Disclosure), the Group is required to disclose regulatory capital information, and has done so by making the disclosures available in the Group's website at www.hl.co.uk/investor-relations/pillar-3-disclosures

5.8 Interest in unconsolidated structured entities

The Group has determined that the investment funds it manages are structured entities. Structured entities include entities that are designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when the relevant activities are directed by means of a contractual relationship. As the Group directs the investing activities of the ten Hargreaves Lansdown Multi-Manager funds and the two Hargreaves Lansdown Select funds, through its investment management agreements with them, it considers them to be structured entities. The Group holds interests in these funds through the receipt of management fees, together with direct investments in the entities. Investments in the funds have been designated at fair value through profit or loss (FVTPL).

The entities are entirely funded by the capital contributions associated with the purchase of units in the funds by unitholders and through return on investments; none of the entities have issued debt or has borrowings and none are reliant on the Group for any funding.

The Group does not sponsor any of the structured entities and there are no guarantees or commitments.

Where the Group has an equity holding in the funds, the maximum exposure to loss relates to future management fees should the market value of the funds decrease, plus the fair value of the Group's investment in that fund.

Structured entities with direct holdings

Direct investments in structured entities relate to box positions held by Hargreaves Lansdown Fund Managers Limited and through portfolios held in Hargreaves Lansdown Asset Management Limited that mimic holdings in the Portfolio Management Service and HL Portfolio+.

The table below shows the details of unconsolidated structured entities in which the Group has direct holdings as at 30 June 2017 and 30 June 2016.

	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
2017	Unit Trust	12	8,784.6	0.2	56.4	5.4
2016	Unit Trust	10	6,290.5	0.3	44.1	3.8

Parent company statement of financial position

	Note	At 30 June 2017 £m	At 30 June 2016 £m
ASSETS			
Non-current assets			
Investments in subsidiaries	6.4	**34.2**	18.2
		34.2	18.2
Current assets			
Trade and other receivables	6.5	**186.2**	82.3
Cash and cash equivalents	6.6	**15.4**	95.2
Current tax asset		**0.1**	0.1
		201.7	177.6
Total assets		**235.9**	195.8
LIABILITIES			
Current liabilities			
Trade and other payables	6.7	**32.6**	19.6
Current tax liabilities		**–**	–
		32.6	19.6
Net current assets		**169.1**	158.0
Total liabilities		**32.6**	19.6
Net assets		**203.3**	176.2
EQUITY			
Share capital	6.9	**1.9**	1.9
Retained earnings	6.9	**201.4**	174.3
Total equity		**203.3**	176.2

The Company recorded a profit for the financial year ended 30 June 2017 of £187.5 million (2016: £191.9 million).

The financial statements of Hargreaves Lansdown plc, registered number 02122142, on pages 132 to 138, were approved by the Board of Directors and authorised for issue on 14 August 2017.

Philip Johnson
Chief Financial Officer

Parent company statement of changes in equity

for the year ended 30 June 2017

	Share capital £m	Retained earnings £m	Total equity £m
At 1 July 2015	1.9	138.1	**140.0**
Profit and total comprehensive income	–	191.9	**191.9**
Increase in investment in subsidiaries	–	2.5	**2.5**
Dividend paid	–	(158.2)	**(158.2)**
At 30 June 2016	1.9	174.3	**176.2**
Profit and total comprehensive income	–	187.5	**187.5**
Increase in investment in subsidiaries	–	4.1	**4.1**
Dividend paid	–	(164.5)	**(164.5)**
At 30 June 2017	1.9	201.4	**203.3**

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 2017 £m	Year ended 30 June 2016 £m
Net cash from operating activities			
Cash (used in)/from operations	6.8	**11.3**	(66.3)
Income tax rebate		**0.1**	0.1
Net cash from (used in) operating activities		**11.4**	(66.2)
Investing activities			
(Increase in term deposits)		**(115.0)**	–
Dividends received from investments		**188.2**	192.5
Net cash generated from investing activities		**73.2**	192.5
Financing activities			
Dividends paid to owners of the parent		**(164.5)**	(158.2)
Proceeds on disposal of investments		**0.1**	–
Net cash used in financing activities		**(164.4)**	(158.2)
Net (decrease) in cash and cash equivalents	6.6	**(79.8)**	(31.9)
Cash and cash equivalents at beginning of year	6.6	**95.2**	127.1
Cash and cash equivalents at end of year	6.6	**15.4**	95.2

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 Hargreaves Lansdown plc 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 £187.5 million (2016: £191.9 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 2017 £m	Year ended 30 June 2016 £m
Investments in subsidiaries		
At beginning of year	**18.2**	15.7
Increase in investment in subsidiaries	**16.0**	2.5
Purchases	**–**	–
At end of year	**34.2**	18.2
Comprising:		
Non-current investments – Investments in subsidiaries valued at cost less impairment	**34.2**	18.2

A list of the investments in subsidiaries is shown below, along with their country of incorporation and principal activity. Investments in subsidiaries are shown at cost, which is the fair value of the consideration paid. All subsidiaries have one ordinary class of share only and unless disclosed otherwise below all shares are held by Hargreaves Lansdown plc.

Subsidiary company name	Country of incorporation and principal	Company purpose/ function	Percentage ownership	Voting rights
Hargreaves Lansdown Advisory Services Limited	UK[1]	Advisory services	100%	100%
Hargreaves Lansdown Asset Management Limited	UK[1]	Unit trust and equity broking, investment fund management, life and pensions consultancy	100%	100%
Hargreaves Lansdown Fund Managers Limited	UK[1]	Unit trust management	100%	100%
Library Information Services Limited	UK[1]	Data provider	78%	78%
Hargreaves Lansdown Stockbrokers Limited	UK[1]	Stockbroking	100%	100%
Hargreaves Lansdown (Nominees) Limited	UK[1]	Nominee services	100%	100%
Hargreaves Lansdown Insurance Brokers Limited	UK[1]	Investment company†	100%	100%
Hargreaves Lansdown Investment Management Limited (100% shares held by Hargreaves Lansdown Fund Managers Limited)	UK[1]	Dormant company*	100%	100%
Hargreaves Lansdown Savings Limited (formerly Hargreaves Lansdown IT & Administration Services Limited)	UK[1]	Cash services	92.5% – Ordinary 100% – Class A	92.5%
Hargreaves Lansdown Savings (Nominees) Limited (100% shares held by Hargreaves Lansdown Savings Limited)	UK[1]	Dormant company*	92.5%	100%
Hargreaves Lansdown Pensions Limited (100% shares held by Hargreaves Lansdown Advisory Services Limited)	UK[1]	Dormant company*	100%	100%
Hargreaves Lansdown Pensions Trustees Limited	UK[1]	Dormant company*	100%	100%
Hargreaves Lansdown EBT Trustees Limited	UK[1]	Trustee of the Employee Benefit Trust†	100%	100%
Hargreaves Lansdown Trustee Company Limited	UK[1]	Trustee of the Share Incentive Plan†	100%	100%
HL Tech Sp. Z O. O. (100% shares held by Hargreaves Lansdown Asset Management Limited)	Poland[2]	Service Company**	100%	100%

* Exempt from the requirements to prepare, file and audit individual financial statements under s394A and s448A of Companies Act 2006.
† Exempt from the requirement for audit under s479a of the Companies Act 2006.
** No financial statements are prepared as the company is in its first period under incorporation.
1 Registered address: One College Square South, Anchor Road, Bristol BS1 5HL.
2 Registered address: ul. John Paul II Avenue, No. 22, Warsaw, 00-133, Poland.

Notes to the Company financial statements

6.5 Trade and other receivables

	Year ended 30 June 2017 £m	Year ended 30 June 2016 £m
Financial assets		
Amounts receivable from subsidiaries and EBT	**71.1**	82.3
Term deposits	**115.0**	–
	186.1	82.3
Non-financial assets		
Prepayments	**0.1**	–
	186.2	82.3

6.6 Cash and cash equivalents

	Year ended 30 June 2017 £m	Year ended 30 June 2016 £m
Cash and cash equivalents		
Company cash and cash equivalent balances	**15.4**	95.2

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 2017 £m	Year ended 30 June 2016 £m
Financial liabilities		
Amounts payable to subsidiaries	**32.3**	19.2
Other payables	**0.1**	0.1
	32.4	19.3
Non-financial liabilities		
Deferred income	**0.2**	0.3
	32.6	19.6

Amounts payable to subsidiaries comprise short-term borrowing from subsidiaries, repayable on demand. The fair values of amounts owed to subsidiaries are equal to their carrying amounts.

6.8 Notes to the Company statement of cash flows

	Year ended 30 June 2017 £m	Year ended 30 June 2016 £m
Profit for the year after tax	**187.5**	191.9
Adjustments for:		
Investment revenues	**(188.3)**	(192.5)
Income tax credit	**(0.1)**	(0.1)
Operating cash flows before movements in working capital	**(0.9)**	(0.7)
(Increase) in receivables	**11.2**	(82.2)
Increase in payables	**1.0**	16.6
Cash used in operations	**11.3**	(66.3)

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 2016 and 2017 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 2016 and 2017 financial years.

Details of the movements in retained earnings are set out in the parent company statement of changes in equity.

6.10 Related party transactions

The key management personnel of the Group and the Company are the same. The relevant disclosures are given in note 5.6 to the consolidated financial statements.

The Company has three employees (2016: two).

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 2017 £m	Year ended 30 June 2016 £m
Dividends received from subsidiaries	**188.2**	192.4
Management charges to subsidiaries	**0.7**	0.7
Capital contribution to subsidiaries	**16.1**	2.5
Amounts owed by related parties at 30 June	**71.1**	82.3
Amounts owed to related parties at 30 June	**32.3**	19.2

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 123.

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:

(a) 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.

(b) Credit risk

Credit risk is the risk that a counterparty fails to perform its financial obligations, resulting in financial loss; however, the amounts owed to the Company are primarily from its own subsidiaries. Given the profitability and net assets of the majority of subsidiaries, credit risk is felt to be minimal.

As per the wider Group, cash is held with UK licensed banks. The credit risk on liquid funds is minimised because the counterparties are banks with strong credit ratings assigned by international credit rating agencies. The Group takes a conservative approach to treasury management and selection of banking counterparties, and carries out regular reviews of all its banks' and custodians' credit ratings.

As at the end of the reporting period, no financial assets were individually determined to be impaired. The balance of assets past due is immaterial.

The following table discloses the Company's maximum exposure to credit risk on financial assets.

	At 30 June 2017 £m	At 30 June 2016 £m
Loans and receivables at amortised cost		
Cash and cash equivalents	**15.4**	95.2
Included within trade and other receivables:		
Term deposits	**115.0**	–
Amounts receivable from subsidiaries and EBT	**71.1**	82.3
Other receivables	**0.1**	–
	201.6	177.5

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Directors, Company Secretary, advisers and shareholder information

Executive Directors
Chris Hill
Philip Johnson

Non-Executive Directors
Christopher Barling
Mike Evans
Shirley Garrood
Stephen Robertson
Jayne Styles

Company Secretary
Judy Matthews

Independent auditors
PricewaterhouseCoopers LLP, London

Solicitors
Osborne Clarke LLP, Bristol

Principal bankers
Lloyds Bank Plc, Bristol

Brokers
Barclays
Numis Securities Limited

Registrars
Equiniti Limited

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BS1 5HL

Website
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Company number
02122142

Five year summary

	2017 £m	2016 £m	2015 £m	2014 £m	2013 £m
Revenue	**385.7**	**388.3**	**395.1**	**358.4**	**292.4**
Commission payable/loyalty bonus	(0.1)	(61.8)	(100.9)	(66.5)	(23.2)
Net revenue[1]	**385.6**	**326.5**	**294.2**	**291.9**	**269.2**
Fair value gains on derivatives	2.2	0.0	0.0	0.0	0.0
Operating costs	(126.7)	(108.2)	(96.1)	(83.8)	(76.8)
Operating profit	**261.1**	**218.3**	**198.1**	**208.1**	**192.4**
Investment revenue	1.2	0.6	1.0	1.8	2.9
Other gains	3.5	–	–	0.0	(0.2)
Profit before tax	**265.8**	**218.9**	**199.1**	**209.9**	**195.1**
Tax	(53.8)	(41.6)	(41.8)	(47.1)	(46.2)
Profit after tax	**212.0**	**177.3**	**157.3**	**162.8**	**148.9**
Non-controlling interests	(0.3)	(0.4)	(0.6)	(0.6)	(0.6)
Profit for the financial year attributable to owners of the parent company	**211.7**	**176.9**	**156.7**	**162.2**	**148.3**
Equity shareholders' funds	**306.9**	**253.7**	**236.6**	**227.8**	**196.6**
Weighted average number of shares for the purposes of diluted EPS (million)	**474.73**	**474.72**	**473.72**	**474.37**	**471.92**
	Pence	**Pence**	**Pence**	**Pence**	**Pence**
Equity dividends per share paid during year	34.80	33.50	32.30	30.29	23.79
Basic earnings per share	44.7	37.4	33.2	34.5	31.7
Diluted earnings per share	44.6	37.3	33.1	34.2	31.4

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 basic 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 the Hargreaves Lansdown plc shares.
Operating costs	The costs as per the income statement excluding commission payable (i.e. the aggregate of staff costs, other operating costs and FSCS costs).	In light of the transitional period relating to the Retail Distribution Review (see net revenue below) and the impact this had on commission payable in the form of loyalty bonuses, this measure of operating costs provides a more useful comparative measure over time.
Operating profit margin	Profits after deducting operating costs but 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.
Net revenue (£) **(See consolidated income Statement on page 98 for the reconciliation of net revenue)**	Total revenue less commission payments which are primarily loyalty bonuses paid to Vantage clients.	Because of the changes brought about to the client charging structure by the Retail Distribution Review ("RDR") there was a transitional period (from 1 March 2014 to 1 April 2016). From 1 March 2014, revenue was increased as Hargreaves Lansdown earned both a new platform fee from clients and the existing renewal commission from the fund management groups based on the value of funds held by clients. At the same time the loyalty bonus paid to clients was significantly increased on the pre-RDR funds to largely mitigate the impact of the new platform fee. In order to aid comparability during the period of transition to 1 April 2016 the net revenue measure became the most useful comparative measure of revenue as it better reflected the underlying income relating to funds held by clients.
Net recurring revenue	The total value of renewal commission (after deducting loyalty bonuses), platform fees, management fees and interest earned on client money.	Provides a measure of the quality of our earnings. We believe recurring revenue provides greater profit resilience and hence is of higher quality than non-recurring revenue.
Percentage of recurring net revenue (%)	The total value of renewal commission (after deducting loyalty bonuses), platform fees, management fees and interest earned on client money divided by the total net revenue.	Provides a measure of the quality of our earnings. We believe recurring revenue provides greater profit resilience and hence is of higher quality than non-recurring revenue.