Hargreaves Lansdown plc

Report and Financial Statements

For the year ended 30 June 2014

One College Square South,
Anchor Road, Bristol, BS1 5HL
Registered number 02122142
www.hl.co.uk

About us

We have been helping clients choose and manage their own investments since 1981 and are now the UK's largest direct to investor 'investment supermarket' with an annual turnover in excess of £358 million. We provide execution only, advisory services and third party investments for individuals and corporates. We administer £46.9 billion of investments in our ISA, SIPP and Investment accounts for 652,000 clients, and have arranged investments for over a million clients.

"WE AIM TO HELP INVESTORS MAKE MORE OF THEIR INVESTMENTS"

Our success is built around providing our clients a high quality service tailored to their needs, and ensuring that our clients have access to enough information to support them with making their own investment decisions. Our knowledgeable and helpful staff, technology and experience enable us to provide a high quality and convenient service to our clients.

This year's report contains a new strategic report on pages 1 to 28, which includes an explanation of our business model, an analysis of our performance, a review of the business during the year and an outline of the principal risks and uncertainties we face. The strategic report was approved by the Board and signed on its behalf by the Chief Executive and Chief Financial Officer

Ian Gorham
Chief Executive

Tracey Taylor
Chief Financial Officer

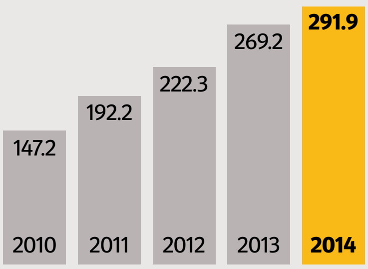
16 September 2014

Highlights

- Profit before tax increased by 7% to £209.8 million
- Continued strong organic growth in Assets Under Administration
- 28% increase in the total number of clients
- Total dividend up 8% at 32.0 pence per share

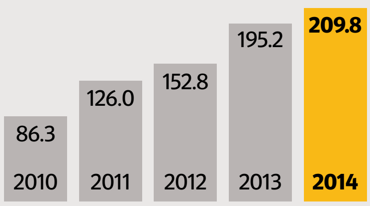
NET REVENUE (£M)

£291.9m



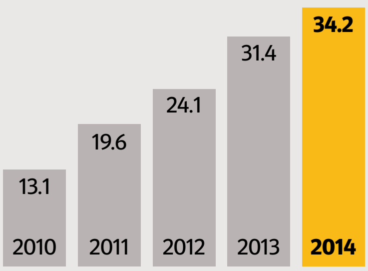
PROFIT BEFORE TAX (£M)

£209.8m



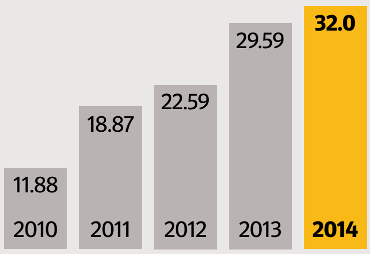
DILUTED EARNINGS PER SHARE (PENCE)

34.2p



DIVIDEND PER SHARE (PENCE)

32.0p



£46.9 BILLION

Value of investments administered for clients, a 29% increase.

£6.4 BILLION

Value of net new business inflows, a 25% increase.

9.3 MILLION

Number of trades dealt for clients in the year, a 33% increase.

652,000

Number of clients, up by 144,000, a 28% increase.

STRATEGIC REPORT

GOVERNANCE

FINANCIAL STATEMENTS

Our services

Hargreaves Lansdown aims to help each client make more of their money throughout their lifetime. We have established a reputation for providing high quality service and value-for-money products to private investors, whether they are making their own investment decisions or looking for an advisory or discretionary service.

Discretionary service and managed funds

PORTFOLIO MANAGEMENT SERVICE

If clients are not able to give their investment portfolio the attention it deserves, our solution is the Portfolio Management Service.

Our experienced investment managers work closely with our research analysts to continually find the best fund managers for our portfolios. The portfolios are constantly reviewed by the manager and rebalanced to maintain the investment objectives. Where necessary, changes are made to the portfolios by the investment manager.

HL MULTI-MANAGER FUNDS

HL Multi-Manager funds offer a broad, managed portfolio of funds through a single investment, for those who wish to leave the choice of underlying funds to our experts.

Whether they are a first time investor in need of a simple way to invest in the stock market or a more experienced investor looking for a broadly based fund around which to group specialised holdings, each HL Multi-Manager fund provides a professionally monitored portfolio holding what we believe are some of the best fund managers in their field.

£44.9m net revenue

+32%

Vantage Service – our investment service for self-directed investors

£221.0m net revenue

+8%

Vantage is a one-stop shop for investments. Clients can hold all their funds, shares, ETFs, bonds, investment trusts, ISAs and self-invested personal pensions (SIPPs) in a single, low cost, easy-to-manage place.

Whether a first time investor or wanting to improve the way that existing investments are managed, our aim is to give our clients all the tools, help and information they need to make their own investment decisions and save money. In effect we want to help people become their own financial adviser.

The Vantage Service allows clients to bring all their ISAs, Pensions (SIPPs), and funds and share accounts into one easy to manage place. It puts them in control. Clients can consolidate their investments – for example, pensions accumulated in previous employment – into the Vantage service to keep track of their investments and manage them in one place. Clients can manage their investments by telephone, post, online or mobile and by dealing with us directly, they can save time and money.

CORPORATE VANTAGE

In addition to services for private individuals we are a leading provider and broker of corporate pension and wrap solutions. Our corporate wrap allows employees to benefit from the Hargreaves Lansdown Vantage service via their workplace. Corporate Vantage includes award-winning SIPP, ISA, Fund and Share accounts.

Aside from Vantage, Hargreaves Lansdown also provides other services to companies including a market-leading retirement and annuity broking service allowing employees to obtain a higher income via our annuity search engine. Our Corporate annuity and Corporate Vantage wrap services are provided to many household names.

Third party and other services

The Third Party and Other services division distributes investment products that are not held in Vantage accounts.

ANNUITIES SERVICE - A RETIREMENT SERVICE THAT COULD INCREASE INCOME BY UP TO 40%

As the UK's number one annuity broker (source: MyTouchstone) we help individuals obtain a superior retirement income. Our annuity service enables clients to find a better pension income - in some health or lifestyle cases it can improve income by up to 40%. We provide instant personal no obligation quotes completely online in minutes, allowing clients to compare live annuity rates from the UK's top annuity providers across the open market. The online annuity service is clear and simple to use, and is supported by our knowledgeable annuity specialists who are available to answer any query. We also make this annuity service available to employers for use by their employees.

For those who prefer more flexibility and accept a higher risk approach, we also offer a very competitive Vantage Income Drawdown service to be used alongside or as an alternative to a secured annuity income.

CERTIFICATED SHARE DEALING

Most clients prefer the convenience and cost of the Vantage share dealing service. For those who prefer to hold paper share certificates our low cost, quick and easy Certificated Share Dealing Service allows clients to buy or sell shares in certificated form without fuss or inconvenience.

OTHER SERVICES

We offer a foreign currency service to both private clients and companies and for more sophisticated investors we offer the ability to invest in Venture Capital Trusts (VCTs), Contracts For Difference and Financial Spread Betting. The full range of our services can be viewed on the website at www.hl.co.uk/investment-services

£26.0m

+16%

Our website and digital apps

73m visits to our websites and apps

+65%

During the financial year our website and apps were visited 73 million times, up 65% on the previous year. These visits gave rise to over 767 million page views (up 68%). In August 2014 our website was ranked 5th in the UK Business and Finance - Stocks and Shares category by Experian Hitwise.

A number of digital initiatives over the past year have contributed to this growth. The HL Live iPad app launched in December has already received more than 67,000 downloads and now accounts for around 10% of unique daily visitors. Free live share prices launched in May this year, along with improved information and research on funds, shares, investment trusts and bonds, has increased visits and engagement among both clients and prospective clients.

We have continued to invest heavily in digital marketing; making better use of technology and data to improve our targeting and conversion of prospective clients. Much of the benefit of which will be seen over the coming financial year. New and experimental channels have delivered promising volumes of new clients. Meanwhile more traditional channels such as natural/organic search are also performing well (natural search traffic is up more than 90% on the last financial year).

INVESTMENT TIMES IPAD MAGAZINE

Why clients choose Hargreaves Lansdown

On this and the following two pages we have set out some of the reasons why clients choose to use Hargreaves Lansdown.

When choosing an investment service, the 4 most important considerations are:

1 SECURITY

2 SCOPE AND QUALITY OF SERVICE

3 CONVENIENCE AND EASE

4 VALUE FOR MONEY

Hargreaves Lansdown is a trusted brand and a financially secure business. We offer an exceptional range of investments and services, and have invested in skilled helpdesk staff and advanced technology to ensure that we provide a consistently high quality, accessible and convenient service. We do not set out to be the cheapest; instead we aim to offer the best value. We offer a range of information, tools and services for clients who prefer to choose their own investments as well as financial advice for those who want more help.

We aim to provide the best service, best information and best prices to ensure that we remain the best place in the UK to buy investments.

Our business is scalable, which means as we grow our costs do not increase as much as our income. This means we can regularly invest to improve our service and/or reduce our prices. During 2014 we have implemented further improvements to our services, and negotiated lower cost investment funds for our clients.

MARK DAMPIER – HEAD OF RESEARCH (LEFT), LEE GARDHOUSE – INVESTMENT DIRECTOR

RECENT CLIENT COMMENTS . . .

"Fast, efficient - hassle free transfer. Excellent source of info available on web site. Easy to navigate and full of 'useful stuff.'"

MR NAITHAN TUCKER, ESSEX

"Excellent as always. Service is key in financial services & HL have certainly achieved this for me over last 10 years."

MR SIMON ANNEAR, DEVON

"I wanted somebody else to do the investing for me. I've been very, very, very pleased with the results!"

ROGER THOMPSON, SOMERSET

"Very helpful and knowledgeable staff; real people take calls – brilliant in this day and age. The best organisation I have ever dealt with in all my business life spanning 45 years."

MR SMITH, EAST SUSSEX

TRUST AND SECURITY

A recognised, trusted and financially secure **FTSE100 business.** Dedicated to keeping our clients' investments safe and secure.

EXCELLENT SERVICE

94.4%* of clients rated our service as excellent, very good or good.

*Based on a survey of 9,371 respondents in August 2014.

CONVENIENCE AND EASE

Our mobile App has been downloaded **200,000+** times and the iPad App **67,000+** times.

SAVINGS, VALUE FOR MONEY

On behalf of our clients we have negotiated some of the best (and often exclusive) discounts on funds in the market.

HELPFUL AND KNOWLEDGEABLE STAFF

The call response target time of our helpdesks is **10 seconds**.

TRUSTED SOURCE OF USEFUL, INDEPENDENT INFORMATION

The number of visits to our website and apps this year was **73.0 million**.

INVESTMENT EXPERTS

We have been helping clients to make the most of their investments since **1981**.

CHOICE

A wide range of investments – **2,500+ funds**, 10,000+ UK, US and European shares, investment trusts, gilts, ETFs, bonds and cash.

ADVICE WHEN YOU NEED IT

We offer **financial advice**, financial planning and portfolio management, or tools and support to do it yourself.

CLIENT FOCUSSED IMPROVEMENT WE LISTEN TO OUR CLIENTS.

Their feedback is key to how we improve and grow our services.

Award-winning services

Our experience gained over four decades has allowed us to develop a service tailored precisely to the needs of private investors. 94.4% of our clients rate our service good, very good or excellent, we win numerous prestigious industry awards and our clients' continued loyalty has created a successful and financially secure blue chip company.

All our awards are listed on our website – but underlying all of them is a commitment to excellence shared by everybody in the Hargreaves Lansdown team.
www.hl.co.uk/investor-relations/our-awards

Which? 2014
Which Recommended Provider

Recent awards include

BRITAINS MOST ADMIRED COMPANIES 2013/14

MT

TECHNOLOGY INOVATION OF THE YEAR 2014

UK PENSION AWARDS

BEST DIRECT PLATFORM 2014

THE PLATFORUM

BEST SERVICE 2014

THE PLATFORUM

BEST ONLINE JUNIOR STOCKS & SHARES ISA PROVIDER 2014

YOUR MONEY

BEST DIRECT SIPP PROVIDER 2013 & 2014

YOUR MONEY

BEST FOR BEGINNERS DIRECT PLATFORM AWARDS 2014

THE LANG CAT

BEST DIRECT PLATFORUM 2013

THE PLATFORUM

BEST FINANCIAL SERVICES 2013

UK STOCK MARKET AWARDS

BEST SIPP PROVIDER 2007-2013

WHAT INVESTMENT READERS AWARD

Chairman's statement

I have great pleasure introducing our Annual Report for the year ended 30 June 2014 in which we announce another strong set of results.

In accordance with the new reporting rules, we have enhanced our annual report with the inclusion of a Strategic Report to present a clearer articulation of our strategy and business model. This report places more focus on giving investors the strategic forward-looking information that they need to guide their investment decisions. In addition revised remuneration reporting regulations have been incorporated as explained on page 42.

This year has been dominated by regulation. The introduction of the Retail Distribution Review ("RDR") for platforms in April has necessitated significant Board and management attention. Successfully designing, announcing and implementing a completely new charging structure for our clients holding fund investments to the satisfaction of our clients, our shareholders and the regulator was a major achievement. Despite this challenge, we managed to maintain our focus on growing the business organically, enhancing our digital proposition, adding functionality to our stockbroking business whilst continuing to work on improvements and the long term sustainability of our IT platform.

Notwithstanding these challenges, the Group has once again increased both profits and assets under administration as we achieved record new business flows and record new client numbers. We continue to be a financially strong organisation with a simple, strong, debt-free balance sheet retaining a healthy margin over the regulatory capital adequacy requirements. Therefore after careful review of the company's future cash requirements, the Board has decided to increase the dividend by paying a second interim ordinary dividend of 15.39p per share (2013: 14.38p) and an increased special dividend of 9.61p per share (2013: 8.91p) representing total dividends for the year of 32.0p per share (2013: 29.59p); an increase of 8%.

Good governance continues to be at the heart of what we do. The majority of the agreed actions from last year's Board effectiveness review have been implemented, with the introduction of more frequent board meetings and a greater focus on strategy. Much attention has been paid to developing the talent within the business and refreshing the organisational structure to meet the future challenges of the Group. Details of our governance statement can be found on pages 29 to 41.

In October 2013, we made a number of changes to our Board and Committee membership: we were delighted to welcome Shirley Garrood to the Board as a new independent Non-Executive Director and Chairman of the Audit Committee, Chris Barling was appointed as Senior Independent Director and Chairman of the Remuneration Committee and Jonathan Bloomer stepped down after over seven years on the Board. Jonathan's extensive experience of the financial services industry and thoughtful contributions have been very valuable. On behalf of the Board I would like to thank him for all his contributions.

As ever, the coming year will be a challenging one with competition intensifying in all areas of our business but we remain well placed to continue to satisfy our clients and thrive in our chosen markets. Our people are integral to our success and, as always my gratitude goes to the Board and the talented people we employ for their continuing hard work, diligence and enthusiasm.

Michael Evans – Chairman
16 September 2014

Chief Executive's review

We are pleased to present our results for the year ended 30 June 2014, once again reporting record new clients, net new business and operating profits.

The year to 30 June 2014 was characterised by continued substantial new asset and client flows into Hargreaves Lansdown's services and successful adoption of extensive regulatory change.

The standout result was our record growth in net new business and clients. Net new business was £6.4 billion (+25%) and we welcomed 144,000 net new clients (+89% compared to last year).

Hargreaves Lansdown is the largest business of its type in the UK, with an estimated 32% of the direct investment market (Source: The Direct Platform Guide Issue 4, February 2014), up from 28% last year.

High service levels were rewarded not only through record new clients and assets, but also through a number of awards. We were delighted to be voted by Which? as the U.K.'s best and recommended investment platform. Hargreaves Lansdown also won numerous other awards, including the Platforum's best user experience and Management Today's Britain's Most Admired Company for Speciality and Other finance.

During the year the Company had to cope with major regulatory change, the most significant of which being the FCA's Retail Distribution Review ("RDR"). We are pleased we have been able to deliver this change successfully and delivered lower costs of investing for the majority of our clients at the same time. We now look forward to seeking to maintain our success in our growing marketplace.

HARGREAVES LANSDOWN'S 2014 RESULTS

We are pleased to report a record profit before tax of £209.8 million, up 7% on last year's £195.2 million. Our ability to attract and retain assets and clients by accessing key distribution channels and delivery of service excellence continues to be a primary driver of revenue growth. Our revenue has also been enhanced by growth in complementary services such as stockbroking, fund management, discretionary management and pension drawdown services.

We also report a 29% increase in client assets under administration from £36.4 billion to £46.9 billion. Net new business for the year was £6.4 billion (2013: £5.1 billion) with market movement and other factors adding a further £4.1 billion. An additional net new 144,000 investors (2013: 76,000) became clients during the year, of which 42,000 related to IPOs, taking total active clients for Vantage and advised services combined to 652,000.

Positive sentiment, allied to continued low interest rates, served to improve stock markets during the year, with the FTSE All-Share index advancing 9.4% in the year to 30 June 2014.

The interest rate environment remains depressed, and therefore income from cash balances has reduced over the period. Interest income should increase when rates recover. However, in the short term we are experiencing reduced margins on cash balances which is the primary reason why asset and client growth exceeded expansion in profit.

A busy year of stock market activity has been beneficial to Hargreaves Lansdown in terms of adding new clients and new business. Of particular note was the Royal Mail flotation, where around 118,000 people, approximately 18.5% of the UK public who invested in Royal Mail shares, did so through Hargreaves Lansdown. We saw days when up to 60,000 people tried to call Hargreaves Lansdown, and during the two key weeks of the Royal Mail flotation our website received 3.5 million hits. For a short period of time this put pressure on service levels. We have implemented changes as a result of this experience and service levels were improved as we dealt with the combined peak impact of the TSB flotation and Woodford fund launch in June 2014.

Our Corporate Vantage service continues to expand, with 211 schemes live or in implementation (2013: 167). This increase in schemes has been accompanied by a 59% increase in Corporate Vantage assets, which now stand at £984 million, and post year-end passed the £1 billion landmark. Although this project remains long-term in nature we remain satisfied with the success to date.

2014/2015 MARKET OUTLOOK

There are welcome signs of a return to stronger economic trading conditions, and greater capitalisation of banks has served to enhance stability across most markets. Whether this will translate into stronger stock markets remains to be seen. In particular markets are likely to be influenced by the performance of Asian economies, particularly China, and markets generally remain subject to the influence of geopolitical events.

COMPANY OUTLOOK

The delivery of the changes required by the Retail Distribution Review engaged company resources and time for the best part of 18 months. Whilst regulatory intervention across the financial services industry shows no sign of reducing, with the retail distribution review having been delivered successfully we are now able to re-deploy staff and resources on improving the business.

Our core strategic priorities remain as; the delivery of growth in assets and client numbers through the provision of excellent and efficient service, research and information at good value.

We shall also seek to enhance our complementary revenue generating services over the coming year. This will include expanding our range of successful multi-manager funds, enhancing our cash strategy, and considering other growth opportunities. At the same time, we will remain focused on our core business, delivering improvements and enhancements to our service to delight our clients, and continuing to enhance our distribution through the addition of new channels.

THE IMPACT OF REGULATION AND GOVERNMENT POLICY

During the year we implemented the remaining requirements of the Retail Distribution Review. From 1 March 2014 clients began paying charges for holding investment funds with Hargreaves Lansdown, and in return more commission received on those funds was returned to them. By 6 April 2016 Hargreaves Lansdown will not retain any commission on Vantage fund investments.

This change has been a massive undertaking, requiring the design of a new competitive charging structure with few reference points, and then the communication of the changes to clients and seamless implementation. After an understandable period of familiarisation and questions clients seem to have accepted the changes, recognising the value of the Hargreaves Lansdown service and our competitive charges and enjoying our (often exclusive) discounts on fund management charges from leading houses that we have negotiated. It was gratifying to note that the third quarter of our year, where these changes took effect, was a record quarter. In this year of change, client and asset retention ratios have remained high at 93.3% and 92.3% respectively.

Regulation has also substantially affected revenue from cash in the form of interest margin. The reasons for this are twofold. Risk averse governments and regulators requiring greater capitalisation of major banks has reduced banks' demand for cash deposits. At the same time, recent regulatory constraints on the ability to place cash on longer term deposit have also been imposed. There are several potential mitigating strategies to partially address these structural changes, focused around the technicalities of how monies are classified and held. We expect that in the short term our cash margin will reduce slightly but longer term these mitigating strategies should offset some of the effect. If interest rates rise, we also expect this to have a positive effect on revenue.

On the plus side, coupled with some welcome ISA changes, revolutionary changes to pensions will mean that the UK public now has previously unheard-of flexibility of pension saving. Whilst in the short term we have seen a reduction in annuity business of around 50%, this has been counteracted by a substantial shift to drawdown arrangements. New assets into pensions drawdown arrangements were up 35% on the year. From our perspective, the opportunity to help clients make the most of their money for longer is beneficial both for investors and for company revenue, as our relationship with the client continues for longer under drawdown than an annuity purchase. As we are a major provider of both independent annuity broking and drawdown services in the UK, we are planning a range of enhancements to our pension services to reflect the opportunities offered by the new regime.

We also expect some positive regulatory change around the information and guidance that we can give to clients. These changes are currently being consulted upon by the Financial Conduct Authority. There seems to be an increasing realisation amongst government and regulators that providing online and telephone-based information will be the most effective primary method for the UK public to be properly informed about financial matters in future. This realisation has been accelerated by various promises from the authorities that the public will have access to "the information they need", in particular as part of pensions reform. We welcome these changes, which potentially allow us to expand our information, research and ability to assist clients without increased liability.

CORPORATE CITIZENSHIP

Hargreaves Lansdown is an ethical company and champion of the retail investor. We campaign tirelessly on behalf of retail investors to improve their lot and their wealth.

This year we instigated further price competition within the fund industry which has resulted in reduced costs of both active and passive funds for investors. The market leading discounts we have negotiated on some of the best UK funds will save our clients millions of pounds over the coming years. The 2015 financial year should also see the ability for children with child trust funds to transfer them to Junior ISAs for the first time, allowing more than 6 million children to potentially benefit from lower charges, better service and returns. This change is also something we have campaigned for over a considerable period and we are delighted to see it come to pass.

Other campaigns have included making it easier and quicker for investors to transfer their investments and pensions from one provider to another, campaigning to reform the retirement annuity market, which means we welcome the Chancellor's recent announcement of greater freedoms for pension investors at retirement, and we are currently challenging HMRC on the issue of taxation of loyalty bonuses, the so called "discount tax". A successful challenge would see money being returned to investors.

Hargreaves Lansdown will again pay its corporate taxes in full in the UK, and we shall continue to seek to be a role model for how financial services companies deliver a great service, reputable behaviour and profitability in harmony with the UK public.

During the year the company supported Penny Brohn Cancer Care as its staff charity, the Youth Adventure Trust and the Wallace and Gromit Grand Appeal, amongst others.

CONCLUSION

I would like to thank our clients, shareholders, staff and my fellow directors in what has been a very busy year and one of significant change. The support and dedication they have shown has delivered another set of great results.

Ian Gorham – Chief Executive
16 September 2014

Business model

As one of the UK's largest investment brokers Hargreaves Lansdown aims to make profit by providing investors with a competitively priced service for acquiring, managing and disposing of a wide range of authorised investments. The service incorporates provision of a wealth of information and research into opportunities with potential. We aim to be the best place in the UK to buy investments directly.

We aim to constantly improve internal efficiencies embracing all proven technology. At the same time we strive to offer the best research and information across an increasing spectrum of investments and markets using Hargreaves Lansdown's buying power to secure the best prices and lowest charges from providers.

WHO WE ARE AND WHAT WE DO

We have been helping clients choose and manage their own investments since 1981 and are now the UK's largest direct to investor 'investment supermarket' with an annual turnover in excess of £358 million. We provide execution only, advisory services and third party investments for individuals and corporates. We administer £46.9 billion of investments in our ISA, SIPP and Investment accounts for 652,000 clients, and have arranged investments for over a million clients.

Our success is built around providing our clients a high quality service tailored to their needs, and ensuring that our clients have access to enough information to support them with making their own investment decisions. Our knowledgeable and helpful staff, technology and experience enable us to provide an excellent and convenient service to our clients.

HOW OUR BUSINESS GENERATES VALUE

Fund supermarkets and wrap platforms typically focus on servicing the IFA community. Our investment supermarket services the private investor directly. The Hargreaves Lansdown business model allows us to offer highly competitive prices to our clients and achieve strong profitability. We aim to create shareholder value by retaining our position as the best place in the UK for private investors to buy investments.

We earn the majority of our income based on the value of assets under administration (AUA). This income is based on a percentage of the value of AUA and is expressed as basis points (bps). Income levels vary according to the class of investment, the type of account and the amount held – some fees are stepped, tiered or capped. The mix of investments and products has an impact on the levels of revenue.

We aim to grow our business by retaining existing clients, obtaining continued new investments from our existing clients and by winning new clients. We do this by providing the best service, best information, and best prices. When combined with the security we offer and the trust in our brand it provides a compelling reason for clients to choose Hargreaves Lansdown.

New business grows our AUA, but there will also be a natural loss of business whether from investors using their savings upon retirement, death or the effects of competition. However, investors can readily switch between different investments without the need to leave our investment platform, which means we do not see the outflows of AUA that an asset manager would experience when an investor decides to sell their fund – the cash or the new investment can remain on our investment platform. We aim to retain as much AUA as possible with a constant focus on excellent service and providing a 'one stop shop' offering a broad range of investments and services. AUA may also grow or be reduced due to the effect of market movements.

WHERE WE ARE BASED AND HOW WE OPERATE

We have been based in Bristol ever since the business was started in 1981. Our clients are located across the UK, with the majority of business taking place through our website. 85% of our clients have access to our website and all of our clients have access to our telephone helpdesk. For those clients who require advice, and prefer face to face advice, we have a team of 101 financial advisers located throughout the UK.

Our people, our culture, our technology and IT infrastructure are key to our success. We employ 844 people and are committed to recruiting and retaining great people who understand our client-led culture. We have a flat management structure and aim where possible to promote from within, building knowledge and loyalty.

WHO OUR CUSTOMERS ARE

Our investment supermarket service is provided directly to the private investor in the UK. Our clients may be investing for their future, saving

for retirement, investing for children or grandchildren, making the most of tax allowances by using ISA and pension allowances, or they may be drawing down on their investments after retirement. The majority of our clients select and manage their own investments using our Vantage platform. Through the Vantage service our clients are able to access 13,000 different investments including over 2,500 investment funds, shares listed on the UK, US, Canadian and European stock exchanges, bonds, ETFs and investment trusts, and can also hold cash balances. We have 643,000 Vantage clients as at 30 June 2014.

We also provide services such as workplace pension schemes and annuity purchase services to private investors through corporate clients. We work on behalf of 500 corporate clients, of which 211 are Corporate Vantage schemes – the 40,700 individual clients within those schemes are included in the number of Vantage clients.

Some of our clients prefer to have an investment manager looking after their investments for them, and they can use our Portfolio Management Service (PMS). We have 14,865 PMS clients.

Read more on these and the other services we provide on pages 2 to 3.

HOW WE ARE DIFFERENT

Everyone these days talks about excellent service. It is easy to talk about it, but it takes experience and commitment to actually deliver it. Our service is joined up – one website, one login, one conversation, one platform offering a huge range of investments – a one stop shop. There is more we can do to keep improving, but we are in a strong position when it comes to delivering great service as evidenced by recent awards from Which? and The Platforum.

A founding principle of our business is 'simplicity' – the financial services industry is weighed down with complexity, yet when we deal directly with self-directed investors we make it simple for them.

We use our scale and position in the market to negotiate favourable discounts for our clients, we lobby for better savings products, and we put the client at the heart of everything that we do.

Most changes and opportunities within our business require an element of systems or web development. We own, control and develop our own IT systems. We have our own proprietary systems that are not sold to others in the industry, and we have in-house development knowledge and expertise. This makes us nimble and quick to respond to opportunities. Our business is not capital intensive, but we employ 114 IT staff to maintain, develop and operate our IT infrastructure, website and systems. The long-term sustainability of our IT platform continues to be a key strategic priority for us.

HOW OUR BUSINESS IS SUSTAINABLE

We have a consistent track record of growing AUA, active clients, revenue, profits, EPS and dividends. We believe this is because we have the right distribution channel, offer the right service and products, and operate with the right cost structure. Going forward we believe that market and demographic trends continue to be favourable.

A large proportion of AUA (69%) are "sticky", by this we mean that they are held within tax wrappers which makes investors less likely to spend them. Our excellent service standards and breadth of service means that we have very high rates of asset and client retention (92.3% and 93.3% respectively). As a result, we attract high quality recurring revenue streams.

We utilise technology to ensure that our service is efficient. The business operations are very scalable, and as it continues to grow we benefit from economies of scale and increasing cost efficiency.

To ensure that the business continues to thrive, we reinvest some of the increased profits back into the business to provide improved services, better functionality and better prices.

Strategic priorities and progress

How are we doing?

	OUR 2014 PRIORITIES	PROGRESS AGAINST OUR OBJECTIVES
ATTRACT AND RETAIN CLIENTS > EXCELLENT SERVICE	Service improvements including stockbroking initiatives, simple investing and wider research coverage to enhance the client experience.	94.4% of clients responding to an August 2014 survey rated our service as good, very good or excellent. Live price feeds for share dealing launched. iPad app was launched in December 2013. In 2014 we maintained an excellent client retention rate of 93.3%.
	Better deals on investment funds to reduce the total expense ratio for clients.	We secured great discounts on new "unbundled" funds.
	Campaign on issues which affect our clients.	The government has indicated that Child Trust Funds should be transferable into a Junior ISA as from April 2015.
GENERATE PROFITABLE GROWTH > ASSET GATHERING	Progress the Investment Supermarket, Pensions and Digital initiatives.	In 2014, assets under administration (AUA) increased by £10.5 billion. The asset retention rate remained very high at 92.3%. Corporate Vantage service gained an additional 44 corporate clients during the year with AUA as at 30 June 2014 of £984 million (2013: £618 million).
	Continued focus and refinement of digital marketing channels.	Value of transfers into Vantage up 24% on last year. Regular contributions up 25% year-on-year.
	Implementation of RDR.	RDR operational and pricing changes implemented during the year.
INCREASE SHAREHOLDER VALUE > EFFICIENCY IMPROVEMENTS	Continued investment into IT and a focus on mobile and digital technologies.	The proportion of Vantage clients who manage their investments online has increased with 92% of share dealing in Vantage carried out online (2013: 90%). 85% of our clients have registered for online access (2013: 81%). We have invested in our IT development capacity and initiatives to future proof our systems; principally through the recruitment of additional IT development staff. First phase of electronic re-registration implemented.
	Focus on industry automation improvements, including electronic re-registration.	Cost ratio (costs as a proportion of AUA) reduced by 4.4bps to 20.1bps.
SATISFYING CAREERS FOR STAFF > RECRUIT, DEVELOP AND RETAIN QUALITY STAFF	Continue to develop the apprentice program for financial practitioners.	Assisted 171 staff across the company in taking professional exams. Enhanced certain teams, including the Compliance and Risk teams.
	Continue to offer share-based incentives to staff where feasible, encourage staff share ownership.	Continued use of share incentives for key staff and SAYE scheme for all staff. 83.2% of eligible staff are in one or more SAYE schemes. Undertook first employee survey, and started putting key actions in place.

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We have enhanced our mobile and tablet apps, added 144,000 new clients to our service, transacted 6.3 million fund trades and 3.0 million share trades, implemented significant regulatory changes in the platform part of our business. This page summarises our progress against the priorities we set last year, and sets out our priorities for the year ahead.

PERFORMANCE INDICATORS

No. of active clients ('000)

2014	**652**
2013	507
2012	432
2011	386
2010	336

Vantage asset retention (%)

2014	**92**
2013	94
2012	94
2011	92
2010	90

Net new business (£bn)

2014	**6.4**
2013	5.1
2012	3.2
2011	3.5
2010	3.3

Assets under administration (£bn)

2014	**46.9**
2013	36.4
2012	26.3
2011	24.6
2010	17.5

Proportion of online clients (%)

2014	**85**
2013	81
2012	78
2011	74
2010	71

Net operating profit margin (%)

2014	**71.3**
2013	71.5
2012	67.8
2011	64.7
2010	58.0

Net revenue per employee (£'000)

2014	**368**
2013	370
2012	338
2011	299
2010	234

Average number of staff

2014	**794**
2013	731
2012	657
2011	643
2010	628

OUR 2015 PRIORITIES

Service improvements, in particular cash and pension services.

Continue to campaign on issues which affect our clients, be a force for good within the industry.

Focus on opportunities in the pensions market arising from 2014 budget.

Identify and execute opportunities for additional revenues within the Vantage service.

Focus on industry automation improvements, including further automation of transfer business.

Continued investment into IT to ensure that the IT platform remains scalable and efficient to support future growth.

Build on the actions arising from the 2014 employee survey.

Increase the focus on talent management, building from the bottom-up to strengthen future management teams and better help staff achieve their ambitions.

Business review

It has been a year of unprecedented levels of regulatory change, but our focus has remained on providing our clients with excellent service and value, making Hargreaves Lansdown a natural choice for investors. Record levels of organic growth from new business and new clients mean that we now look after a record £46.9 billion of AUA on behalf of our clients.

ASSETS UNDER ADMINISTRATION (AUA) AND NEW BUSINESS INFLOWS

During the year the value of total AUA has increased by 29%. The Group achieved net new business inflows of £6.4 billion, and the positive impact of the rise in investment markets and other growth factors increased client assets by a further £4.1 billion. Total AUA can be broken down as follows:

	At 30 June 2014	At 30 June 2013	% movement
	(£'bn)	(£'bn)	
Vantage Assets Under Administration (AUA)	44.2	34.2	+29%
Assets Under Administration and Management (AUM)			
- Portfolio Management Service (PMS)	2.6	2.1	+24%
- Multi-manager funds held outside of PMS	1.9	1.2	+58%
AUM Total	4.5	3.3	+36%
Less:			
Multi-manager funds (AUM) included in Vantage AUA	(1.9)	(1.2)	+58%
Total Assets Under Administration	46.9	36.4	+29%

WE NOW ADMINISTER £46.9 BILLION OF INVESTMENTS ON BEHALF OF OUR CLIENTS.

£6.4 BILLION TOTAL NET NEW BUSINESS.

Net new business in the Vantage SIPP, ISA and other Vantage nominee accounts was respectively £2.1 billion, £2.2 billion and £1.8 billion (2013: £1.8 billion, £1.9 billion, £1.1 billion), in total £6.1 billion (2013: £4.8 billion).

Net new business generated within PMS was also strong at £304 million (2013: £271 million). The increase was assisted by an increase in the number of financial advisers employed by the Group this year.

Investment markets improved during the year, with the average month-end level of the FTSE All-Share index being 11.9% higher compared to FY 2013, contributing to market growth of £4.0 billion in Vantage AUA and £0.2 billion in PMS.

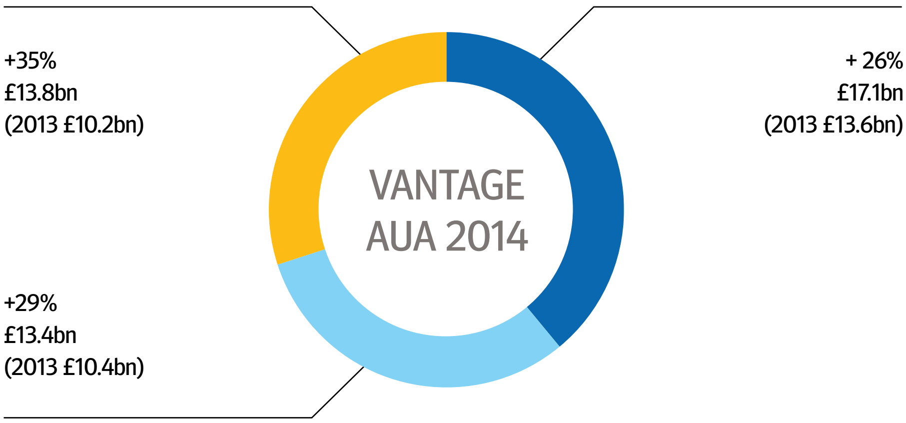
The second half of the year is our busiest as the tax year-end is an important driver of new business. This year £3.60 billion of net new business came in the second half versus £3.45 billion for the prior year comparative. The comparative was boosted by the introduction of a loyalty bonus on Vantage SIPP accounts, the requirement to offer in-specie transfer of client assets following phase 1 of RDR and significantly increasing stock markets. This year UK stock markets have largely been flat in the second half and the only real fresh impetus has come from the TSB IPO and Woodford fund launches both of which took place in June 2014 and resulted in c£293m of new business. Achieving such a strong net new business figure, in a period when we have communicated and implemented the significant client tariff changes resulting from the Retail Distribution Review, has been very pleasing and testament to the value our clients place on our services.

Cash deposit rates on offer from banks have remained at historically low levels, partly as a result of the government's "Funding for Lending" scheme. Those seeking a higher return have turned to alternative investment options such as funds and shares, which offer higher yields and potential capital growth. This factor has spurred clients to divert more of their savings into investments in Vantage.

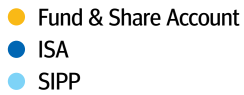
More clients are investing through Hargreaves Lansdown than ever before. In total we now administer investments for 652,000 clients (2013: 507,000, +29%).

DIVISIONAL PERFORMANCE

The Group is organised into three core operating divisions, based around



TOTAL VANTAGE AUA £44.2BN (2013 £34.2BN)



the products and services described on page 3:
- **Vantage:** represents 77% of Group operating profit.
- **Discretionary and Managed:** represents 15% of Group operating profit.
- **Third Party and Other services:** represents 8% of Group operating profit.

VANTAGE

As highlighted in the Chief Executive's statement, during the year we implemented the remaining requirements of the RDR. As a consequence the total revenue earned from investment funds held by clients significantly increased as a new platform fee was introduced ranging from 45bps down to nil depending on the value of funds held by clients in their various accounts. At the same time commission income is being received from the fund management groups on funds purchased by clients before the RDR implementation date. Where we still receive commission on these pre RDR or "legacy funds" the vast majority is now passed back to our clients in the form of a significantly higher loyalty bonus. In order to compare performance year-on-year it is therefore necessary to look at net revenue which is total revenue less the loyalty bonus.

The Vantage division increased its net revenues by £16.7 million or 8%, from £204.3 million to £221.0 million. Positive growth factors were the 29% growth in AUA this year, the impact of a full year's income on assets gathered during the previous year and the significantly higher share dealing volumes which improved stockbroking commission by £12.3m. Offsetting these growth factors was, as expected, a further decline in interest on client money which fell from £58.7 million to £33.7 million as the interest rate margin declined significantly.

The £6.1 billion growth in AUA resulting from net new business inflows, or 'organic growth', represented 18% this year (2013: 20%).

- The increase in AUA derived from stock market and other growth factors was 12% (2013: 19%). The combined impact of organic growth and market growth resulted in SIPP AUA growing by 29%, ISA by 26% and the Fund and Share account by 35%.
- Included within the Fund and Share account is a significant holding in Hargreaves Lansdown plc shares which increased in value by 31% during the year. Excluding Hargreaves Lansdown shares, the growth in Fund and Share AUA was 37%.
- As at 30 June 2014, the value of the Vantage ISA was £17.1 billion (30 June 2013: £13.6 billion), the Vantage SIPP was £13.4 billion (30 June 2013: £10.4 billion) and the Vantage Fund and Share Account was £13.8 billion (30 June 2013: £10.2 billion).

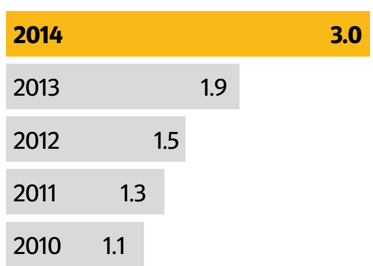
During the year the number of active Vantage clients increased by 143,000 to 643,000, including a total of 16,000 new Corporate Vantage scheme members, taking the total Corporate Vantage members to 42,000 (2013: 26,000). We now administer 192,000 SIPP accounts, 462,000 ISA accounts and 243,000 Fund and Share accounts on behalf of our clients.

28% more clients contributed to their SIPP than in the year to 30 June 2013, with the average new contribution into a Vantage SIPP this year reducing by 6% to £8,275. There was also a 41% increase to the number of clients subscribing to their Vantage Stocks and Shares ISA with the average subscription decreasing by 3% to £8,178.

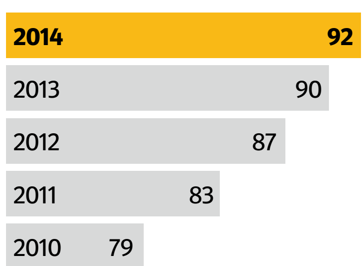
58% GROWTH IN SHARE DEAL VOLUMES

92% OF VANTAGE SHARE DEALS ARE DEALT ONLINE

Share dealing volumes (m)



Share dealing (% online)



Clients continued to transfer SIPP and ISA investments held elsewhere into our Vantage service. The value of transfers in increased this year by a significant 24%. More clients sought to consolidate their investments and benefit from the advantages of having them all held in one place with a company they trust.

Clients have decreased their cash weightings during the period as investor sentiment improved and clients were prepared to take on more risk given the low interest rates available on cash. The composition of assets across the whole of Vantage at 30 June 2014 was 9% cash (30 June 2013: 10%), 36% stocks and shares (30 June 2013: 34%), and 55% investment funds (30 June 2013: 56%).

A number of our clients make regular contributions into their ISA, SIPP or Fund and Share accounts. The 'Regular Savers' service has been growing steadily since being introduced 11 years ago, and as at 30 June 2014 we had 81,000 clients (2013: 66,000) saving a total of £28 million each month by way of direct debit instruction. Our Corporate Vantage service has the potential to significantly increase the value of regular monthly savings and Corporate Vantage clients currently subscribe an additional £12.5 million each month.

We handled over 9 million dealing instructions on behalf of 652,000 clients. Our website (www.hl.co.uk) and apps were visited 73 million times, an increase of 65% on the previous year.

Vantage clients transacted 6.3 million fund deals (2013: 5.1 million) and 3.0 million share deals in the year (2013: 1.9 million). No charge is made to our clients for dealing in investment funds and therefore fund dealing does not generate revenues. The increased volume of share dealing resulted in an increase in stockbroking commission of £12.4m to a total of £39.0 million.

DISCRETIONARY AND MANAGED

The Discretionary division earns recurring income on underlying investments held in the Group's Portfolio Management Service (PMS), and on investments in the Group's multi-manager funds. Net revenue in the Discretionary division increased by 32% from £34.0 million to £44.9 million. The growth in net new business helped grow initial charges and the increase in AUA helped to increase management fees and ongoing advice charges. In addition following the implementation of RDR from 1 March 2014, the annual management fee charged on the HL Multi-Manager funds of 0.75% has been retained wholly within the discretionary division. Previously under the legacy fund class charged at 1.00% there would have been a 0.5% renewal commission paid into Vantage where Vantage clients held the fund. The net impact is an effective increase in revenue to the discretionary division.

The value of assets managed by Hargreaves Lansdown through its own range of multi-manager funds and PMS increased by 39% to £4.6 billion as at 30 June 2014 (2013: £3.3 billion). The growth in assets is due to net new business of £0.9 billion combined with a market increase of £0.4 billion.

Our advisory service generates initial and ongoing advice fees on assets introduced into PMS. The Group has increased the number of financial advisers during the year from 92 as at 30 June 2013 to 101 as at 30 June 2014. We aim to capture more of the advised market, particularly as many Independent Financial Advisers and high street banks continue to exit this market on the back of regulatory rules such as the Retail Distribution Review. Increased adviser numbers has helped drive a 12% increase in net new business introduced into PMS during the year. Net new business amounted to £304 million (2013: £271m). The proportion of PMS assets invested in Hargreaves Lansdown Multi-Manager funds as at 30 June 2014 was 90% (2013: 89%).

THIRD PARTY AND OTHER SERVICES

Third party and other services net revenues fell 16% during the year, from £30.9 million to £26.0 million.

The key reason for the decline has been the reduction in annuity volumes brokered following pension reforms introduced in the March 2014 budget and hence the commission income received. The reforms have introduced greater flexibility in terms of how people access their pension savings and as a result the demand for annuities has declined. Annuity income has fallen from £7.7m in 2013 to £4.7m this year.

The total revenues from Hargreaves Lansdown Currency and Markets (CFDs, spread betting and currency services) were up £0.5m on last year as increased numbers of clients utilise these additional services, driving transactional volumes higher.

Revenue from our Funds Library service remained the same at £6.0 million; however, the service has experienced underlying growth in client numbers and recurring revenues during the year but did not get a repeat of the one-off development revenues achieved in the previous year.

Third party business has been in decline over recent years. Although the Group continues to act as an intermediary for some third party pension schemes there is a focus on the Corporate Vantage service which together with regulatory changes means that we expect that third party business will continue to decline.

IT AND SYSTEMS

The initiative to continually develop and improve our dedicated and bespoke in-house systems has continued throughout the year with a focus on replacement and enhancement of hardware and systems in order to increase the long term sustainability and capacity of our key administration system. From the client's perspective we have introduced a number of significant improvements to our service, such as the introduction of Live Prices to our equity trading functionality and an upgrade to the on-line security infrastructure. Such work has run alongside significant systems development in order to implement regulatory changes and the delivery of a number of high quality business as usual initiatives.

We have continued to recruit high quality IT staff to support our investment in technology. Constantly improving our technical architecture remains key to our success.

Market review

Regulation, competition and markets

The Chief Executive has highlighted changes to the regulatory landscape; in particular the FCA's Retail Distribution Review (RDR) which we highlighted last year has now been implemented. The fast pace of regulatory change looks set to continue in the next 12 months. As noted within the Financial Review, BASEL 3 and CRD 4 regulatory changes affecting banks and new FCA regulations (contained within the FCA's publication CP14/09) are examples of regulation that will impact our business and will require our focus to produce a good outcome for our clients. We believe Hargreaves Lansdown's experience, business model and financial position will enable us to accommodate changes without harmful effect on long-term profitability. During the history of Hargreaves Lansdown there have been various market factors which, when initially revealed, have created conjecture about profitability and our responses resulted in increased volumes of business which more than compensated for any reduction in margin they brought.

The markets in which Hargreaves Lansdown operates are highly fragmented. Competitors include IFAs, execution-only brokers, banks, building societies, life assurers, fund supermarkets and certain wrap platforms. Given the success of our business, direct competition is predicted to increase; however, significant barriers to entry exist. We have 32 years' experience and have developed the IT systems and infrastructure in-house, both to facilitate efficient administration and more specifically to fulfil clients' needs of which we have unparalleled knowledge. Our direct postal marketing reach is in excess of 2.0 million people, a contact list which would be difficult to compile today, and we have ensured that we have grasped the opportunities offered by digital marketing, creating a powerful distribution network. Given our brand reputation and scale, if increased competition leads to increased awareness and growth in our markets we see this as positive.

Hargreaves Lansdown's market share has increased in the majority of relevant markets that figures are available for. For example, for the year to 5 April 2014, HMRC figures show that 10.9% of all stocks and shares ISA subscriptions were made via Hargreaves Lansdown. This compares to 8.4% for the year to 5 April 2013. At 30 June 2014 our share of the execution only stockbroking market in the UK had risen to 22.5%, compared to 18.8% at the end of the previous year (source: Compeer). In addition, transfers of client assets from competitor companies to Hargreaves Lansdown increased by 5%. Hargreaves Lansdown is a net recipient of assets from the vast majority of other companies in the market every year. Our own asset retention, however, remains extremely strong, at 92.3% of all assets under administration. This is testament to our excellent service.

We must not be complacent, as there are many companies who would like to emulate the success of Hargreaves Lansdown. However, for now our service remains unparalleled and we must work hard to maintain our competitive advantage.

ISAs

The ISA market continues to grow. HMRC figures published in August 2014 show that new subscriptions into stocks and shares ISAs have grown by more than 18% to £18.4 billion in the last three tax years, and over £241 billion is now held within stocks and shares ISAs. In the tax year ended 5 April 2014 3.0 million adults contributed into a stocks and shares ISA with the average subscription being £6,163. Hargreaves Lansdown saw 252,000 adult clients contributing an average of £8,178.

Each year our excellent customer service results in net transfers of client assets from other ISA providers. This year 40,846 clients transferred £1.03 billion of investments to us. With continued low interest rates, stocks and shares ISAs remain attractive. The increase in the ISA allowance from £11,880 to the new NISA allowance of £15,000 will serve to increase the size of the ISA market.

The launch of the Junior ISA in November 2011 has widened the ISA market with the ability to currently save up to £4,000 for each child per annum. We successfully lobbied the Treasury to permit transfers from Child Trust Funds (CTFs) to Junior ISAs and the Government following a period of consultation has agreed that this will probably commence from April 2015. Over six million children in the UK currently have CTFs with circa £4.8 billion pounds invested. Given the superiority of Junior ISAs compared to CTFs this should provide us with an opportunity to boost new business and to acquire new young clients who will hopefully become long-term adult clients too.

PENSIONS/SIPPS

The SIPP market is estimated to have assets under administration of £150 billion. As at 30 June 2014 our Vantage and PMS SIPP together held £14.0 billion, representing 9.3% of this current market.

Pension auto-enrolment in the UK is currently being phased in and by 2017 all employers will have to auto-enrol eligible staff into a suitable workplace pension and pay contributions on their behalf. Escalating minimum contributions have been set. By 1 October 2018 the minimum contribution will be 9% of which the employer will have to pay a minimum of 4%. The scheme has been introduced principally to get UK citizens to take greater responsibility for their financial well-being in retirement. For many years the number of people paying into occupational pensions has been in decline and this scheme should reverse this trend. Our Corporate Vantage service seeks to take advantage and existing schemes we administer will also benefit. The engagement of many for the first time should also be to the benefit of the industry as a whole and in particular to us as a trusted brand and respected company.

In future people will be less able to rely on state assistance or defined benefit pension provision. As a result there is an increasing need for people to make their own pension provision.

The gap between current saving and the amount needed to adequately fund retirement is being partially addressed through auto-enrolment. In addition the increased flexibility being introduced to pensions following the budget announcements in March 2014 should make them a more popular investment. Combined, these two factors should provide the stimulus for long-term growth in the pension market. The current market is estimated at around £2.5 trillion and defined contribution schemes such as our SIPP are set to grow rapidly over the next few years. We see this as a key growth market.

The UK has the largest savings gap in Europe. The importance of saving has never been greater and consequently the tax breaks on offer for children in the form of a SIPP or Junior ISA are becoming increasingly popular too.

Our performance over the year - key indicators

We use a range of indicators in order to assess performance. We consider the following measures to be the key financial, operational and commercial indicators when looking at the overall performance of the Group. We refer to these measures throughout the Strategic Report.

Strategy/objectives	Performance indicator	2014	2013	+/-
Growing the value of assets under administration and management	Growth in AUA (1)	£46.9bn	£36.4bn	+29%
	Vs. FTSE All-Share index (2)	3600.19	3289.71	+9%
Excellent client service and client retention	Client satisfaction survey (3)	94.4%	96%	-1.6pts
	Client retention rate (4)	93.3%	94.5%	-1.2pts
High earnings quality	Percentage of recurring net revenue (5)	76%	78%	-2pts
	Proportion of assets earning recurring revenue (6)	82%	83%	-1pt
Strong organic growth - asset gathering and client recruitment	Number of active clients (7)	652,000	507,000	+29%
	Net new Vantage business inflows (8)	£6.1bn	£4.8bn	+27%
	Total net new business inflows (8)	£6.4bn	£5.1bn	+25%
	Asset retention rate (9)	92.3%	93.6%	-1.3pts
Maintaining tight cost control and operating efficiency	Net operating profit margin (on net revenue) (10)	71.3%	71.5%	-0.2pts
	Group cost ratio (11)	20.1bps	24.5bps	-4.4bps
Shareholder value and superior financial performance	Diluted earnings per share (12)	34.2p	31.4p	+9%

1. The value of all assets under administration in Vantage and PMS plus assets held by third parties in the HL Multi-Manager Funds.
2. The closing values as at 30 June 2014 and 30 June 2013, sourced from ProQuote
3. Based on Aug 2014 & May 2013 client surveys of 9,371 & 13,833 respondents, where service was voted as good, very good or excellent.
4. Based on the monthly lost clients as a percentage of the opening months total clients and averaging for the year.
5. Total value of renewal commission (after deducting loyalty bonuses), management fees, platform fees and interest earned on client money, as a percentage of total revenue.
6. Percentage of assets either held in an account which generates a fixed management fee or held in an account which generates management fees, renewal commission or interest proportionate to the value of assets held.
7. Unique number of clients holding at least one PMS or Vantage account with a value over £100 at the year-end.
8. Net new business inflows represents subscriptions, cash receipts, cash and stock transfers in less withdrawals and assets transferred out (refer to the Business review section on page 16 for more information on net new business inflows).
9. Based on the monthly lost AUA as a percentage of the opening months AUA and averaging for the year.
10. Net operating profit (profit before investment gains) divided by net revenue after deducting loyalty bonus and commission payments.
11. Operating costs (excluding loyalty bonus) divided by the average of the opening and closing level of total AUA. (100bps = 1%)
12. Based upon earnings and the weighted average fully diluted share capital.

A key indicator of success for the Group is the extent to which we have increased **total assets under administration (AUA)** during the period. This involves encouraging existing clients to entrust us with more of their savings through the provision of quality service, information and pricing, whilst also attracting new clients through our various marketing initiatives. In 2014 the 29% growth in value of total AUA (2013: 38%) was attributable to strong new business volumes, a beneficial market increase, and maintaining very high **client and asset retention rates and client satisfaction scores**.

Analysis of our AUA suggests that the FTSE All-Share index is a reasonable benchmark to use for the market and so any change in this index can form a useful comparison against the growth in AUA. The FTSE All-Share index increased by 9.4% during the year ended 30 June 2014 and on average the FTSE All-Share index has been 11.6% higher than during the 2013 financial year. The positive effect of the market and the impact this had on investor confidence has in part helped to drive new business volumes.

The importance of AUA is that they produce a recurring revenue stream consisting of renewal commission, platform fees, management fees and interest. The **percentage of recurring net revenue** attributable to these 'quality earnings' fell slightly from 78% in 2013 to 76% in 2014. The value of recurring net revenues increased by 5% from £209.8 million to £220.8 million. Not all of our AUA generates recurring revenue, so when looking at the growth in total AUA, it is relevant to consider another indicator, **the proportion of assets earning recurring revenue**. This has decreased slightly from 83% in 2013 to 82% in 2014.

The **number of active** clients acts as an indicator of how successful the Group has been at adding to its client bank. In 2014, the number has increased by 29% (2013: 17%) and as at 30 June 2014 stood at 652,000.

The net **operating profit margin** decreased from 71.5% to 71.3%. Efficient and scalable operations and robust control of costs have continued, and we saw a further improvement to the **cost ratio** during FY 2014 but the decline in interest revenue meant overall the margin fell slightly. We consider the **diluted earnings per share** figure to be the most appropriate measure of financial performance. This increased by 9% in the year to 34.2 pence.

Financial Review

Despite a year of significant regulatory change, we have maintained our track record of growth and have again achieved record financial results for the Group.

Tracey Taylor – Chief Financial Officer

The Group achieved net revenues of £291.9m, an 8% increase, driven primarily by increased levels of AUA and share dealing commission.

Continued robust control of costs and scalable operations has contributed to maintain a high net operating profit margin (on net revenue) which fell slightly to 71.3% (FY 2013: 71.5%).

The effective tax rate for the Group this year was 22.4% (FY 2013: 23.7%). The 8% increase in operating profit, together with a lower rate of corporation tax, combined to increase the diluted earnings per share from 31.4 pence to 34.2 pence per share.

The Business review on pages 14 to 16 contains information about the performance of the Group, in particular further information about Assets Under Administration (AUA), new business inflows and the performance of the three divisions – Vantage, Discretionary & Managed, and Third Party & Other services and the markets they operate in.

Financial performance

	Year ended 30 June 2014 £'million	Year ended 30 June 2013 £'milion	% movement
Revenue	358.4	292.4	+23%
Commission payable / loyalty bonus	(66.5)	(23.2)	+187%
Net revenue	291.9	269.2	+8%
Other operating costs	(83.1)	(77.2)	+8%
Total FSCS levy	(0.8)	0.5	
Operating profit	208.0	192.5	+8%
Non-operating income	1.8	2.7	-33%
Profit before taxation	209.8	195.2	+7%
Taxation	(47.1)	(46.2)	+2%
Profit after taxation	162.7	149.0	+9%
Basic earnings per share (pence)	34.5	31.7	+9%
Diluted earnings per share (pence)	34.2	31.4	+9%

TOTAL REVENUE

As highlighted on page 15 of the Business Review, following the implementation of the RDR we now focus on the net revenue of the Group as this gives a better indication of the year-on-year performance. Total net revenue was up 8% for the year as the group benefitted from record highs of AUA, net new business, new active clients and transaction volumes.

Vantage net revenue increased by 8% but was held back by the reduction in interest revenue resulting from lower interest margins. The increase in other revenue streams excluding interest revenue was 29%, which shows that the underlying performance of the division is strong but was held back by the interest rate margin which is a factor largely outside of our control. The Discretionary division only has a negligible amount of interest revenue and hence the growth in AUA and net new business can clearly be seen as drivers of the strong 32% growth in revenue. Third party and other services net revenue fell principally as we focus less on third party business and because of the drop off in annuity commission following pension reforms introduced in the March 2014 budget. Other services such as foreign currency and Funds Library continue to show underlying growth and we would expect this to continue.

Net revenue	**Year ended 30 June 2014 £'million**	Year ended 30 June 2013 £'million	% movement
Vantage	221.0	204.3	+8%
Discretionary	44.9	34.0	+32%
Third Party and Other services	26.0	30.9	-16%
Total net revenue	291.9	269.2	+8%

Growing the value of AUA was a key factor in driving net revenue up by 8%.

Average levels of AUA were up by 36% in Vantage. The assets held in Vantage can be split between investment funds, shares and other stock, and cash. The net revenue margin earned on each asset class varies.

Investment funds on average represented 54% of Vantage AUA and the net revenue margin earned was 56 bps (2013: 62bps). The reduction related to the new RDR pricing implemented in March 2014 which represented a conscious investment by Hargreaves Lansdown to make investing in funds cheaper for our clients. This is in accordance with our long-term strategy of lowering the cost of investing for our clients over time which in turn will help retain existing and attract new clients and assets. The pre-RDR net margin on funds was 60bps while post RDR it was 49bps. Looking ahead the post RDR net revenue margin will trend down as we move through the transition phase of RDR until April 2016 when any renewal commissions still received from fund management groups relating to pre-RDR funds will be passed on fully to clients. From this point, barring any other changes, we would expect the net revenue margin earned on investment funds to be c44bps.

Shares on average represented 37% of Vantage AUA. The revenue margin on shares and other stock was 35bps (2013: 37bps). The increase in share dealing volumes helps to improve the margin but counteracting that are the caps in place in the SIPP and Stocks and Share ISA accounts, which limit the ability to charge fees on shares once holdings are above £44,444 in the SIPP and £10,000 in the ISA. Over time as clients grow their portfolio of shares this could cause a slight dilution to the margin.

Cash on average represented 9% of Vantage AUA. As mentioned above, as expected, the interest revenue margin earned on cash balances has fallen significantly during the year from an average of 185bps in FY2013 to an average of 91bps in FY2014. We start the 2015 financial year with an interest revenue margin for July 2014 of 70 bps.

In the short term the interest revenue margin is likely to continue to reduce as interest rates attainable from banks fall further, largely as a result of BASEL 3 and CRD 4 regulatory changes affecting banks and new FCA regulations which effectively restrict the use of term deposits to durations of no more than 30 days. There is an alternative treatment available for client money held in the SIPP, which equates to 51% of total client money, such that term deposits may still be used. Work is progressing to achieve this treatment which will mitigate some of the downward pressure on the interest revenue margin. In addition we are exploring other options available to us that will enable us to achieve a better return on cash balances and offer improved cash services to our clients. Following a period of unprecedented low interest rates in the UK, sentiment suggests that within the next 12 months the Bank of England may start to increase interest rates. Such a move should have a positive effect on the interest revenue margin.

TOTAL OPERATING COSTS

Total operating costs are made up of operating costs which are under our control plus the Financial Services Compensation Scheme (FSCS) costs that are outside our control.

	Year ended 30 June 2014 £'million	Year ended 30 June 2013 £'million	% movement
Commission payable / loyalty bonus	66.5	23.2	+187%
Other operating costs:			
Staff costs	51.3	50.3	+2%
Marketing and distribution costs	11.3	11.0	+3%
Office running costs	4.2	3.8	+11%
Depreciation, amortisation & financial costs	3.0	2.0	+50%
Other costs	13.3	10.1	+32%
Other operating costs	83.1	77.2	+8%
Total FSCS levy	0.8	(0.5)	+160%
Total operating costs	150.4	99.9	+51%

Commission payable is primarily the portion of renewal income which the Group receives on investment funds held in Vantage which is rebated to clients as a 'loyalty bonus'. This rebate was paid to clients throughout the year but following the implementation of the RDR in March the amounts paid back to clients were significantly increased to effectively compensate them for the introduction of a new platform fee.

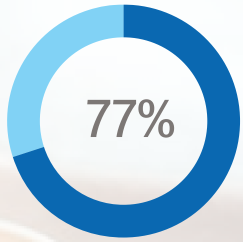
Other than commission payable, staff costs remain our largest expense.

The number of staff on a full-time equivalent basis (including directors) at 30 June 2014 was 844, and the average number of staff during the year was 794, an increase of 9%. The increase in staff numbers resulted from increased investment in IT and web services, along with recruitment

Divisional Group operating profit

The Group is organised into three core operating divisions, based around the products and services described on pages 2 and 3.

VANTAGE



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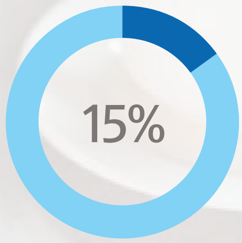
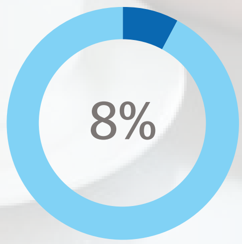


THIRD PARTY AND OTHER SERVICES



HL IPAD APP LAUNCHED

of additional financial advisors and administrative staff to deal with the growing volume of account openings, transfers and helpdesk calls.

Group marketing and distribution spend increased by 3%, from £11.0 million to £11.3 million and includes the costs of printing and sending information and newsletters to existing and potential clients, media advertising, online marketing and client incentives. In the first half of the year only £4.5 million had been incurred which was 20% down on the prior year but in the second half spend increased to £6.8 million reflecting the significant increase in marketing activity and client communication; we communicated to all of our clients about the impact of the RDR and the new pricing tariffs, about the discounts that we had negotiated on many popular funds, about various IPOs including TSB, and the biggest fund launch for some years in the Woodford Equity Income Fund. A key strategic focus for the business is our use of mobile and digital media. We increasingly invest in paid search traffic, cost per click relationships, HLTV and smart phone and tablet apps. These have also contributed to additional cost this year but have served to reinforce our strength in digital media which helps drive client and asset recruitment.

Depreciation has increased significantly following the increase in capital expenditure seen last year and this year.

Other costs which include dealing costs, insurance, computer maintenance, external administration charges and irrecoverable VAT increased by £3.2 million or 32%. These increases are a result of the increased size and scale of the business and enhancement to the services we have provided.

FSCS LEVY

Costs relating to the Financial Services Compensation Scheme ("FSCS") are beyond our control. 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 cost of compensation payments. Contributions to the scheme are proportional to the amount of eligible income of a firm, rather than its risk profile or track record of running a compliant service. As such, as a large business we usually make a significant contribution to the cost of compensation on investments we have never recommended or been involved with. FSCS costs increased from a £0.5 million credit to a £0.8 million charge this year. Last year we made a successful challenge to the basis of calculation of the levy, resulting in a refund of part of the FSCS levy relating to earlier years.

TAXATION

The charge for taxation increased in line with higher profits to £47.1 million from £46.2 million. The effective tax rate fell from 23.7% in 2013 to 22.4% in the current period due to the standard UK corporation tax rate falling from 24% to 21% since the start of the prior period, the 2014 applicable rate being 22.5% (2013: 23.75%). In total, taxation of £3.9 million has also been credited directly to equity and relates to share-based payments.

The Group's policy on corporate taxes is to pay the right amount of tax at the right time. We aim to be transparent in our activities; we prefer not to engage in aggressive, artificial or sophisticated tax planning activities, and we actively engage with the UK tax authorities both on corporate taxes and tax issues affecting our clients.

EARNINGS PER SHARE (EPS)

The diluted EPS increased by 9% from 31.4 pence to 34.2 pence. EPS is calculated as the earnings for the year divided by the total weighted average fully diluted number of shares, including those held by the Employee Benefit Trust (the "EBT"). Further information on the EBT and potential dilution of share capital is provided within the Directors' Remuneration Report.

PENSION SCHEMES

There were no changes to the defined contribution pension scheme in the year, with staff and directors participating on equal terms. Pension costs are recognised as an expense when the contribution is payable.

CAPITAL EXPENDITURE

Capital expenditure, primarily on IT hardware and software, totalled £7.6 million this year, compared with £6.2 million last year. The increase relates to the cyclical replacement of hardware and the continuation of the project to enhance the capacity of our key administration systems.

All of our core systems are developed and maintained in-house and as such we have significant IT resource dedicated to IT support and development. For the year ended 30 June 2014 an average of 86 staff were employed in developing our systems with most of their related costs expensed within staff costs. Any costs relating to the development of new systems have been capitalised and will be depreciated over the useful economic life of the new system once implemented. In the year we capitalised £1.04 million of staff costs.

BALANCE SHEET AND CASH FLOW

The Group is soundly financed with a strong balance sheet and no borrowings. This is an important strength which in addition to being attractive to clients provides both resilience and flexibility. The Group is highly cash generative and the cash conversion ratio measured by the operating cash flows as a percentage of operating profits remained high at 103%.

Group cash balances totalled £201.2 million at the end of the year. The only significant cash outflow from profits has been the second interim ordinary and special dividends totalling £109.1 million paid in September 2013 and an interim dividend of £32.9 million paid in April 2014.

The Group has four subsidiary companies authorised and regulated by the Financial Conduct Authority (FCA). These firms maintain capital resources at a level which satisfies both their regulatory capital requirements and their working capital requirements. Industry regulatory capital requirements have increased in recent years and we expect this to continue as a result of FCA requirements. The Group continues to hold a level of capital that provides significant headroom over the regulatory minimum. As at 30 June 2014, the aggregated Pillar 1 regulatory capital requirement across the four regulated subsidiary companies was approximately £11.2 million compared to capital resources of approximately £92.2 million. Capital resources equate to approximately three times the Pillar 2 capital requirement, which the Board assessed as adequate during our Individual Capital Adequacy Assessment Process (ICAAP). Further disclosures are published in the Pillar 3 document on the Group's website at www.hl.co.uk.

INCREASE IN COUNTERPARTY BALANCES

In accordance with market practice, certain balances with clients, Stock Exchange member firms and other counterparties are included in the balance sheet. These balances fluctuate according to the volume and value of recent trading. At the year-end, trade receivables and trade payables included counterparty balances of £242.9 million (2013: £231.2 million) and £241.1 million (2013: £230.0 million) respectively.

Dividend (pence per share)	**2014**	**2013**	**Change**
First interim dividend paid	7.0p	6.30p	+11%
Second interim dividend declared	15.39p	14.38p	+7%
Total ordinary dividend	22.39p	20.68p	+8%
Special dividend declared	9.61p	8.91p	+8%
Total dividend for the year	32.0p	29.59p	+8%

DIVIDENDS

The Board remains committed to a progressive dividend policy, and has declared a second interim (final) ordinary dividend of 15.39 pence and a special dividend of 9.61 pence per ordinary share. These dividends will be paid on 26 September 2014 to all shareholders on the register at the close of business on 12 September 2014. This brings the total dividends in respect of the year to 32.0 pence per ordinary share (2013: 29.59p), an increase of 8%. This total ordinary dividend pay-out equates to 65% (2013: 65%) of post-tax profits, with a further 28% (2013: 28%) of post-tax profits paid by way of special dividend. Any special dividend in future years will depend upon future cash requirements and therefore may vary.

An arrangement exists under which the Hargreaves Lansdown EBT has agreed to waive all dividends.

Tracey Taylor – Chief Financial Officer
16 September 2014

Principal risks and uncertainties

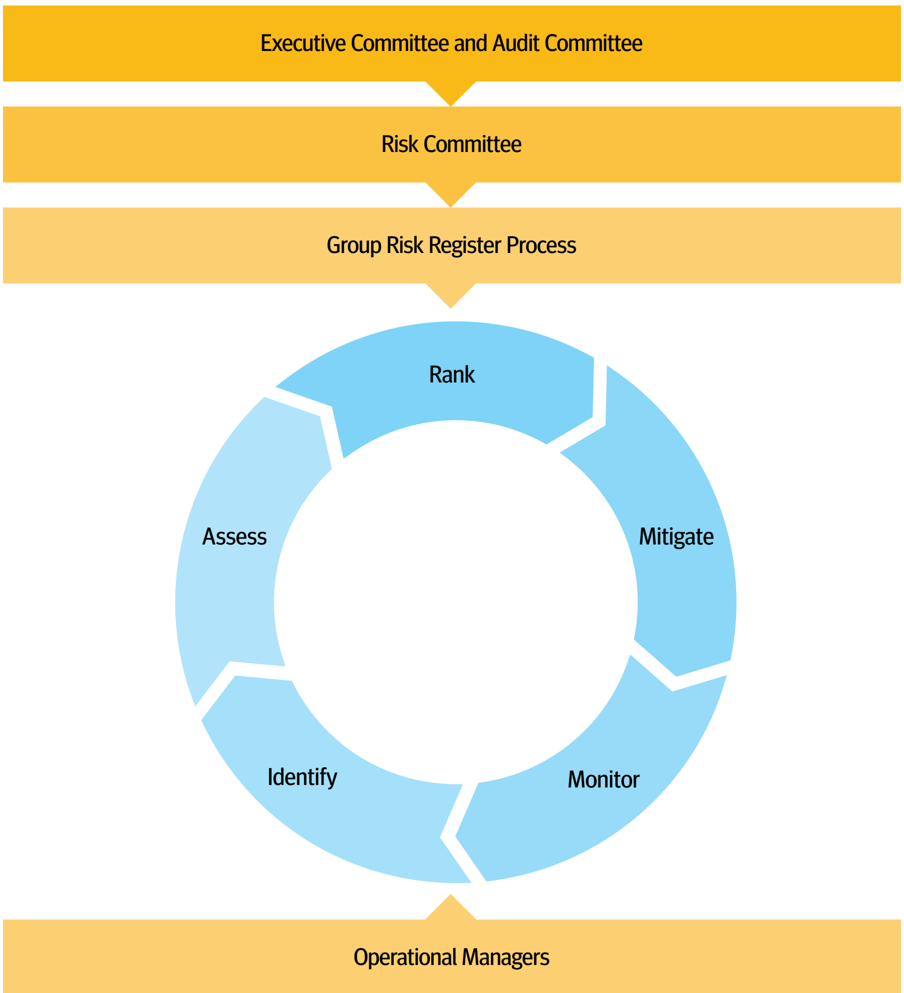
Like all businesses, the Group faces a number of potential risks which, if not properly controlled, could hinder the successful implementation of its strategy and have a material impact on the long-term performance. The Board believes that a successful risk management framework balances risk and reward. The Board has responsibility for risk management and internal control, further details of which can be found in the Corporate Governance statement.

Each year we highlight the risk of earnings being impacted by market volatility or a fall in interest rates. Markets were less volatile in 2014, over the year the FTSE All-Share index rose by 9.4%. This helped the business to grow the value of clients' investments which in turn helped increase Group revenue. Interest rates on cash deposits continued to fall during the year, and in the low interest rate environment we expect to continue to see downward pressure on this revenue stream in the short term. Furthermore, on 10 June 2014 the Financial Conduct Authority (FCA) issued Policy Statement PS14/9 setting out changes to the client assets sourcebook (CASS) which restricts the use of term deposits for client money from 1 July 2014, and this is going to provide a further significant revenue headwind in the coming year. Market volatility arising from such factors as the Euro crisis or Geo-political events such as Ukraine and Iraq remain an accepted risk, although the high percentage of assets in tax wrappers mitigates the impact of market turbulence on client asset retention.

The Financial Conduct Authority (FCA) platform rules as issued in Policy Statement PS13/1 were implemented by us as from 1 March 2014 following a full communication to our clients explaining the rationale and the actual changes in January 2014. The new rules mean that for Platform business we must move away from commission income to explicit platform fees that clients pay directly to us for our services. Transitional rules apply however, enabling us to continue to earn commission on existing platform assets until 5 April 2016 after which any commissions received will be passed entirely on to the client. Where we still receive commission the vast majority is now passed back to our clients in the form of a significantly higher loyalty bonus.

The risk factors mentioned below do not purport to be exhaustive as there may be additional risks that the Group has not yet identified or has deemed to be immaterial that could have a material adverse effect on the business.

Risk Management Framework



Risk	Mitigating Factors/Controls
Industry Risks	
Fluctuations in the capital markets 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.	• Focus on recurring revenue streams over the more volatile transaction-based alternative. • High proportion of assets under administration in tax wrappers so clients less likely to withdraw funds and lose tax benefits. • Cash option enables clients to shelter from market volatility.
Changing markets and increased competition The Group operates in a highly competitive environment with developing demographic trends and our continued profitability depends on our ability to respond to these pressures and trends.	• Strong market position with pricing power. • Full control over flexible platform. • Experienced management team with a strong track record of innovation and responsiveness to the market. • Client focused with a high level of client satisfaction.
Evolving technology The Group's technology needs to remain current if we are to develop our systems to accommodate changing preferences, increased volumes, new products and the emergence of new industry standards. Risks arising from technology change projects need to be minimised.	• Track record of successful development with a high awareness and sponsorship of the importance of technology at Board level. • Substantial development and scalability project teams in place. • IT change management controls including, where appropriate, oversight by project board and steering committees.
Regulatory The Group may be materially adversely affected as a result of new or revised legislation or regulations or by changes in the interpretation or enforcement of existing laws and regulations emanating from the UK or Europe. The Group has needed to replace its significant platform commission revenue stream following the implementation of the new FCA Platform Rules.	• Strong compliance culture and culture geared towards FCA focus on consumer outcomes. • Financial strength of the organisation provides comfort should the capital resource requirement be increased. • Alternative recurring revenue models are successfully operated by the Group and these are being used to mitigate the reduction in commission income. • Competitive prices and service offering have been maintained to help ensure business will not be lost to competitors many of whom are in any case faced with the same rule change.
Changes in taxation law Changes made to tax legislation could reduce the attractiveness of some of the Group's investment products such as ISAs and SIPPs.	• The Government has a clear priority to reinvigorate savings in order to plan for an ageing population, which is currently under-provided for. This creates opportunity for SIPP and ISA business. • HMRC has recently confirmed that commission rebates paid to clients remain tax-free in both the ISA and SIPP wrappers. • Recent announcements to potentially permit transfers of Child Trust Funds to Junior ISAs from April 2015, and to raise the limit to £15,000, show positive Government support for ISAs. • Recent Budget announcement of changes to pensions rules provides opportunities for increased income drawdown and other retirement business.
Damage to the Group's reputation The risk of reputational damage through our own actions or the actions of unassociated third parties (such as copycat websites to fraudulently target client funds) needs to be minimised.	• Clients educated to improve awareness of potential 'boiler room' and other online scams, and security procedures are communicated to clients. • Ongoing monitoring and response to emerging threats. • Dedicated Financial Crime and Information Security teams monitor HL's controls.
Operational Risks	
Errors, breakdowns or security breaches in respect of the Group's information, data, software or information technology systems Serious or prolonged security breaches, cyber-attacks, errors or breakdowns in the Group's software or IT systems must be avoided, and IT changes must be carefully controlled to avoid introducing system integrity problems or other business continuity issues.	• High level of resilience built into daily operations. • IT performance, scalability and security are deemed top priorities by the Board. • Large, experienced in-house team of IT professionals, established name suppliers and dedicated Information Security Team. • IT change management controls including, where appropriate, oversight by project board and steering committees.
Business continuity The risk of disruption to the business as a result of IT or power failure, fire, flood, acts of terrorism, cyber-attacks, relocation problems and similar must be minimised.	• Critical applications and infrastructure mirrored across primary and two secondary sites, and two alternative sites available for staff relocation should the main headquarters be out of action. • Business Continuity Plan produced in line with best practice methodologies and tested regularly.

Employee actions damaging reputation The risk of reputational damage e.g. from employee misconduct, failure to manage inside information, conflicts of interest, or fraud must be controlled.	• High level of internal controls including checks on new staff. • Dedicated Financial Crime and Information Security teams. • Strong compliance culture.
Key personnel Key personnel must be recruited and retained to prevent a material adverse effect on the Group's operations and implementation of its strategy.	• Succession planning encouraged throughout Group via management and staff objectives. • Success of the Group should attract high calibre candidates. • A continuous programme of SAYE and share option schemes is in operation to incentivise staff and encourage retention.
Litigation or claims made against the Group The Group needs to protect against the risk of litigation and actions taken by regulatory agencies.	• High levels of Professional Indemnity Insurance cover. • Comprehensive internal review procedures for marketing literature.
Reliance on third parties Outsourced service providers must meet appropriate standards to protect the Group from the risk of regulatory sanctions and reputational damage.	• Due diligence forms part of the selection process for key suppliers, and ongoing review of key business partners.
Strategic risk Management must remain focused on appropriate strategies and implement the Group's strategy effectively.	• Very experienced management team, with a highly successful track record to date. Management has demonstrated an excellent understanding of the market and continues to monitor this effectively through regular dialogue with clients.
Performance of in-house managed funds Investment performance of the Hargreaves Lansdown Multi-Manager funds needs to remain good relative to the market or in absolute terms, or the Group may be vulnerable to outflows in those funds and a consequential reduction in revenues.	• HL only manages Fund of Funds to focus on core strength. • Fund analysis focuses on 'stock selection' skills of manager rather than basic performance analysis. • HL Multi-Manager Funds are well diversified at the underlying fund level as well as by number of funds, so are less vulnerable to sector specific poor performance than more focused funds. • Well established and proven investment process overseen by an internal Investment Committee.
Financial Risks	
Liquidity The Group must remain able to meet liabilities as they become due and be able to liquidate assets or obtain adequate funding as necessary.	• Highly cash generative business with low working capital requirement, and the Group maintains a substantial surplus above regulatory and working capital requirements. • Treasury management policy provides for the availability of liquid funds at short notice.
Bank default Given the current economic climate and in particular the unprecedented problems faced by banks, the Group must protect against the risk that a bank could fail.	• Only use UK banks where we do not believe the Government would allow them to fail. • Deposits spread across several banks, with limits placed on each. • Regular review and challenge of Treasury Policy by management.
Interest rates Risk of decline in earnings due to a decline in interest rates or regulatory changes affecting interest income.	• The size and diversity of cash balances we have gives us scope to develop alternative cash services which could alleviate margin pressure. • Access to competitive rates due to large value of deposits placed and ability to determine the interest on client balances. • Close interaction with the FCA on all regulatory changes.

Corporate social responsibility

At Hargreaves Lansdown, we want to make sure that our impact on society is a positive one. Our company values are rooted in providing great service at a great price. We believe that doing the right thing makes great business sense. For more information visit our website at **www.hl.co.uk/investor-relations/corporate-social-responsibility**.

OUR CULTURE

We have worked hard to create what we believe to be a unique working culture at Hargreaves Lansdown.

Putting clients first: At Hargreaves Lansdown there is an embedded culture whereby the interests of clients are always put first and 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
- 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 from clients. If clients ever feel the need to complain, our complaints handling team carefully investigates our client's 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 2014 financial year compared to the last figures published by the Ombudsman show that Hargreaves Lansdown is achieving good results in treating our clients fairly.

Integrity: The Company prides itself on its integrity in dealing with clients and staff openly and honestly. This is achieved through our policy of putting clients first. All staff are trained and made fully aware of anti-money laundering procedures which must be adhered to at all times. The Company takes the views of its employees very seriously and as such operates a "Whistleblowing Policy" with any concerns raised about malpractice or wrongdoing within the workplace being treated with the utmost confidence and in full compliance with the Public Interest Disclosure Act.

Efficiency: We believe that costs require constant consideration and have built an ethos of employees continually asking themselves whether their actions are cost effective and efficient.

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.

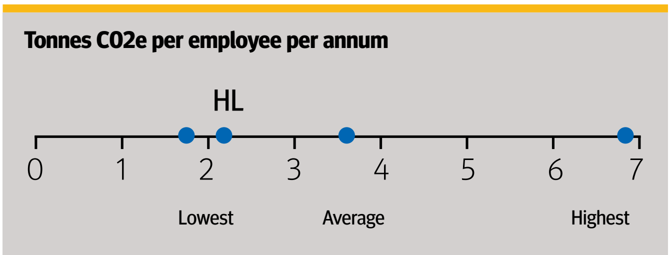
Integrity: We deal with people openly and honestly, building strong relationships.

ENVIRONMENT

As a service business that does not own its business premises and is fundamentally based on intellectual capital, Hargreaves Lansdown has a limited direct impact on the environment. Nevertheless the Group continues to promote energy efficiency and the avoidance of waste throughout its operations.

Last year we commissioned a report to investigate our output of greenhouse gas emissions and reductive measures we could undertake (for more information visit www.hl.co.uk/csr). As part of this report Hargreaves Lansdown was compared to FTSE 100 companies in the same sector and this comparison has been updated in the chart below.

The results demonstrate the relatively low impact our business has on the environment.



This low impact on the environment has not stopped us from enacting initiatives to continue reducing our environmental impact.

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 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 2014	30 June 2013	
Vantage clients were registered as paperless	65%	47%	↑
Vantage equity deals placed online	92%	90%	↑
Clients registered to use our online services	85%	81%	↑

FTSE4Good

FTSE4Good

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

Business travel and commuting: We do not provide company cars to managers or to our network of advisers. These advisers are spread throughout the UK which minimises travel time and carbon emissions. We also provide a telephone advice service where a face-to-face meeting is not required. We also provide a secure bike park at our office enabling up to 150 staff to cycle to work.

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.

Global GHG emissions data for period 1 July 2012 to 30 June 2014

Emissions from:	Current reporting year 2013-2014	Comparison year 2012-2013	Change (%)
Combustion of fuel and operation of facilities	214.8	220.9	-2.8
Electricity, heat, steam and cooling purchased for own use	1623.7	1216.4	+33.5
Tonnes of CO_2e per average full-time equivalent employee	2.32	1.97	+17.8

Electricity usage: Our electricity usage is not high enough to mean that we have to participate in Phase 2 of the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is compulsory for UK organisations that consumed over 6,000 MWh of half-hourly metered electricity for the period 1 April 2012 to 31 March 2013. During that period we consumed well below that level and for the year ended 30 June 2014 we had consumed only 3,285 MWh (2013: 2,731 MWh).

Greenhouse gas emissions: In 2013 we engaged a consultant to assess our carbon emissions and benchmark us against other firms in our sector. The report was positive and reinforced our belief that we were already making good progress towards being resource efficient. For the year ending 2014 our use of refrigerant gases and fuel consumed per employee fell by 10% (2013: 23% fall) while our electricity use per employee increased by 22% (2013: 15% fall) compared to the previous year. The increase in electricity use was driven by the occupation of additional floor space, and additional computing power, in our head office.

Methodology: 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 2014.

COMMUNITY

With the exceptions described below, we have made it company policy to focus our support and fundraising activities on one charity or non-profit organisation each year which is selected from suggestions received from employees within the Group. We do not make political donations. During 2014 the chosen charity was "Penny Brohn Cancer Care". This charity is based in a purpose built centre on the outskirts of Bristol and helps people to live well with the impact of cancer through their "Whole Person Approach".

Charitable activity outside of our chosen charity for the year

- The Group supports a grass-roots sports club. A monthly donation is made to the Bristol & West Athletics Club which is the leading all-round athletics club in the Southwest of England.
- We are again supporting two teams of staff from Hargreaves Lansdown who are competing in the Invesco Perpetual Highland Adventure Race in September of this year. This event raises money for the Youth Adventure Trust, which aims to provide outdoor adventure programmes for youths in order to help give them hope, confidence and life skills.

The Group also makes significant tax payments which help society as a whole. Corporation tax and employers national insurance paid in respect of the year ended 30 June 2014 was £52.5 million (2013: £45.0 million). In addition other taxes such as VAT, stamp duty and business rates paid.

Campaigning: The Company also actively seeks to lobby via public consultation documents where they believe that investors in the UK will benefit. Our latest success has been the Government's agreement to consult on what will be the first step in allowing Child Trust Funds to be transferred to far superior Junior ISAs from April 2015.

Our people

We are committed to recruiting and retaining talented people who put our clients at the heart of our business.

	Male	Female
Company Directors[1]	6 (75%)	2 (25%)
Other senior management[2]	23 (85%)	4 (15%)
Total employees	578 (68%)	266 (32%)

Total workforce = 844

Notes:
1. Company Directors consists of the Company's Board as detailed on page 30.
2. Other senior management is defined as an employee who has responsibility for planning, direction or controlling the activities of the company, or a strategically significant part of the company, other than the Company Directors.

Employment and diversity: Hargreaves Lansdown proudly fosters a working environment that wholly supports the principals of diversity and equality and is committed to ensuring that everyone is treated with dignity and respect. We are an equal opportunities employer and it is our policy to ensure that all job applicants and employees are treated fairly and on merit regardless of any discriminatory factor to ensure the Group attracts, retains and promotes the best available talent. The table above shows the gender split at different levels within the organisation as at 30 June 2014:

Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons by the Group. 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.

Hargreaves Lansdown is committed to providing a safe and healthy environment in which its employees can work. We use Health and Safety consultants on an ongoing basis to ensure that standards are maintained, and the Health and Safety policy is made available to all staff via our intranet.

Hargreaves Lansdown actively encourages employee involvement and consultation and places emphasis on keeping its employees informed of the Company's activities and financial performance by such means as the employee intranet and publication to all staff of relevant information and corporate announcements. During the year we undertook our first employee survey. Over 68% of our staff responded to the survey. The results were positive and we have put in place action plans to address improvements where they are needed.

We have successfully implemented "auto-enrolment", the introduction of a compulsory employee pension contribution, to sit alongside the existing employer contributions which Hargreaves Lansdown continues to make on behalf of its employees.

Recruitment and development: Our aim is to recruit at graduate, or entry, level with a strong emphasis on internal development. We encourage internal moves within the business such that internal talent is used to fill new opportunities. We believe that this fosters staff loyalty whilst at the same time building a strong team of future managers.

Professional development is actively encouraged and many of our staff embark on professional qualifications to further their knowledge and careers within the Company. In total we have supported 222 individuals to at least begin the process of studying for professional qualifications during the 12 months ended 30 June 2014 and in the same period 171 staff have sat and passed a professional exam and 124 completed a professional qualification.

Each year we offer a number of university students the opportunity to work in positions throughout the business during their professional placement year. A number of these students have subsequently returned to Hargreaves Lansdown in a full time capacity.

Competitive pay: Rewarding employees for their contribution and performance is key to ensuring that we retain talented staff and to fostering a positive culture whereby staff are proud to work here. Further information on how we set remuneration packages is provided in the Directors Remuneration Report.

We continue to focus on motivating and retaining our best staff. The Board believes the use of share schemes best aligns staff interests with those of other shareholders. During April 2014 we granted new options under a SAYE scheme and now have 83.2% of eligible staff participating in one or more equity schemes. This year the majority of employees also received an annual bonus related to the overall performance of the Group and their own individual contribution. We also retain and attract staff through the provision of training, career progression, good communication and a vibrant culture. The continued growth and success of the organisation continues to create opportunities for staff.

As a UK based organisation with clients and employees located within the UK we have not provided further information about any policies of the company 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.

Governance overview from the Chairman

Hargreaves Lansdown is committed to high standards of Corporate Governance, as befits a FTSE 100 company entrusted with looking after the investments of its valued clients. This section of the Report and Financial Statements provides an insight into the governance of the Company.

Michael Evans
Chairman

The Group complies with the vast majority of the UK Corporate Governance Code ('the Code'). The statement of compliance can be found on page 32. The Audit Committee report has also been updated this year to incorporate the revisions to the Code. Key areas of note are the disclosures surrounding the support that that Committee has provided to the Board in making the statement that the Report and Financial Statements when taken as a whole are fair, balanced and understandable, and the further disclosures on the Audit Committee's role in the appointment and interaction with the external auditor.

STRATEGY

As a Board, we set strategic direction, define risk appetite and provide oversight of the day-to-day running of the business. As Chairman, I seek to ensure that adequate time is set aside at Board meetings for the discussion and debate of proposed strategic initiatives and direction. Once a decision is reached, management are responsible for executing that decision with the Board's ongoing oversight and support. This process underpinned our decisions around the operational and pricing changes arising from the implementation of the requirements of the FCA's Retail Distribution Review during the year.

In this 2014 Annual Report and Financial Statements, the new Strategic Report replaces the old "Strategic Review and Performance Review" section of the 2013 Report and Financial Statements and has been used to articulate a number of key aspects of our business, such as our strategic aims, our business model, a business and financial review of the year, our approach to risk management and an insight into Hargreaves Lansdown's approach towards corporate and social responsibility.

PEOPLE AND REMUNERATION

Within the Group we want to ensure that we have the right talent, and the right balance and diversity of expertise, skills, background, gender and perspectives. This year we have set out on page 28 improved reporting on this to give better insight into 'Our People' such as training, development and diversity. It is also vital that we have on the Board this right diversity, and also independence of 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 can be found on page 28, and a copy of our full statement on Board Diversity can be found on www.hl.co.uk.

This year has seen the introduction of new remuneration rules, in regard to both the process for setting and agreeing Directors' remuneration policy and how this is reported. This represents the biggest change in this field for some time. The new Remuneration Report on pages 43 to 55 addresses this new legislation and will assist with providing shareholders with a clearer picture on the processes that are used to determine how Directors are remunerated, and how these processes link with strategic goals. The new report has three key sections:

- The Annual Statement by the Chairman of the Remuneration Committee: This provides an overview of the work of the Remuneration Committee during the year.
- Directors Remuneration Policy: This articulates the policy that, subject to shareholder approval, will be effective from the AGM and will govern the way we set and manage Directors' remuneration.
- Annual Report on Remuneration: This report shows the level of remuneration paid to the Directors in the financial year.

The new rules have introduced a new concept of a "single figure" of remuneration for each Director, and now provides more analysis over the pay of the Chief Executive, including comparison to other financial metrics, coupled with a 5-year history of his pay.

WORKING EFFECTIVELY

As Chairman my prime responsibility is to ensure that the Board is operating effectively and focusing its time, attention and efforts on the right things. Each year the Board undertakes a formal evaluation of its own effectiveness. The 2014 Board Effectiveness Review was completed in August 2014, and the Board has agreed a set of priorities against which we will report progress in next year's Corporate Governance Report.

Michael Evans – Chairman
16 September 2014

Board of Directors

MICHAEL EVANS, FIA
CHAIRMAN, 53
Appointed Chairman in December 2009
Chairman of the nomination Committee, member of the Remuneration Committee

Michael became a Non-Executive Director of the Company in September 2006 and was appointed Non-Executive Chairman in November 2009. Michael is a qualified actuary with over 30 years' industry experience. He is also Non-Executive Chairman of Zoopla Property Group plc, a Non-Executive Director of esure Group PLC and Chesnara PLC. He is a member of the advisory board of Spectrum Corporate Finance and is a Trustee of Wessex Heartbeat. Michael was formerly Chief Operating Officer at Skandia UK Limited.

IAN GORHAM, ACA
CHIEF EXECUTIVE OFFICER, 42
Appointed CEO in September 2010

Ian joined Hargreaves Lansdown in 2009 as Chief Operating Officer. Previously he qualified as a Chartered Accountant and worked for Deloitte where he helped build their UK financial services operations and was Head of Grant Thornton's UK financial services business. Ian has worked with many financial services companies on a wide range of strategic and operational matters. Ian holds no external Director appointments.

TRACEY TAYLOR, FCCA MSC
CHIEF FINANCIAL OFFICER, 42
Appointed CFO in November 2008

Tracey joined Hargreaves Lansdown in 1999. Her previous responsibilities within the Group have included the operational areas of IT systems and client accounting, group finance, treasury and the company secretarial function. In 2006 Tracey was appointed to the role of Group Accounting Director and to the Executive Committee before being appointed to the main Board in 2008. Prior to joining Hargreaves Lansdown she qualified as an accountant before working for LloydsTSB. Tracey holds no external Director appointments.

PETER HARGREAVES, FCA
EXECUTIVE DIRECTOR, 67
Appointed to his current role in September 2010 (formerly CEO)

Peter co-founded Hargreaves Lansdown in 1981, and was Chief Executive of the Group until September 2010. Previously, he qualified as a Chartered Accountant and worked for KPMG, Unisys Group and Whitbread Plc. Peter is also a Non-Executive Director of ITM Power Plc.

CHRIS BARLING, BSC
SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR, 58
Appointed Non-Executive Director in August 2010
Chairman of the Remuneration Committee and member of the Audit Committee and Nomination Committee

Chris has over 30 years' IT industry experience and formerly held senior IT roles in Cable & Wireless and Reuters. He is the co-founder of Actinic, the software company specialising in ecommerce solutions for SMEs. Actinic went public on the London Stock Exchange in May 2000. He is also co-author of a well respected book on online business. He is a director of User Replay Limited and Powered Now Ltd.

SHIRLEY GARROOD, BSC, ACA
NON-EXECUTIVE DIRECTOR, 56
Appointed Non-Executive Director in October 2013.
Chairman of the Audit Committee and member of the Nomination Committee and Remuneration Committee

Shirley was Chief Financial Officer of Henderson Group Plc from 2009 to June 2013, and prior to that, she had been Chief Operating Officer since 2001. She trained as an accountant with KPMG and is also a Corporate Treasurer. Shirley is currently also a Non-Executive Director of esure Group Plc and joined the Peabody Trust Board in 2013.

DHARMASH MISTRY, BA (OXON), MENG
NON-EXECUTIVE DIRECTOR, 44
Appointed Non-Executive Director in October 2011
Member of the Audit Committee, Nomination Committee and Remuneration Committee

Dharmash is a former partner at Balderton Capital LLC, one of Europe's leading venture capital firms. He has previously served on the board of Dixons Retail plc and Lovefilm (AMZN) and was Group Managing Director of Emap Consumer Media. He started his career as a Brand Manager at Procter and Gamble, followed by a period at The Boston Consulting group.

STEPHEN ROBERTSON, BSC, FRSA
NON-EXECUTIVE DIRECTOR, 59
Appointed Non-Executive Director in October 2011. Member of the Audit Committee and Nomination Committee

Stephen is a Non-Executive Director of Timpson Group plc, Clipper Logistics plc and Chairman of Business West Limited. Stephen's career has spanned 14 years on the boards of major UK retailers and earlier roles with Mars Inc, Unilever and Alberto-Culver. Stephen served for seven years as Marketing Director at B&Q plc before leading the acquisition of Screwfix Direct which he then chaired. Previous positions also include board membership of Woolworth plc and Director of Communications at Kingfisher plc. He is a former Chairman, and now fellow, of the Marketing Society, and is former Director General of British Retail Consortium (BRC).

Corporate Governance Report

Statement of compliance with the UK Corporate Governance Code

We support the UK Corporate Governance Code published by the Financial Reporting Council (the 'Code'). The FRC introduced a number of new requirements into the Code, for financial years ending on or after 30 September 2013, for the Directors to confirm that the annual report is fair, balanced and understandable. This is the first year that this requirement applies to Hargreaves Lansdown plc and although we have always believed that our annual report meets these criteria, we reviewed our processes this year to ensure that we can provide the necessary confirmation and have the evidence to back up this statement. In order to assist the Board in making this confirmation, we asked the Audit Committee to provide advice on this point, and further detail of the review and process in place can be found in the Audit Committee report.

We consider that the Group complied with all of the provisions of the Code throughout the year ended 30 June 2014 and can confirm that the Board believes the Annual Report and Financial Statements for 2014, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess our performance, business model and strategy.

During the year ended 30 June 2014, Hargreaves Lansdown plc confirms it has applied the principles of the Code with the following exceptions:

1. Board effectiveness and performance evaluation

   We did not comply with Section B.6.1 of the Code which states that the evaluation of the Board should be externally facilitated at least every three years. This year, as per the three previous years, the Board carried out an internally facilitated review, led by the Chairman. Prior to deciding to perform an internal review, the Board debated the issue having due regard to the requirements of the Code. In reaching its decision the Board took account of the following factors: the Group had enjoyed another successful business year, the previous internally led evaluations have led to positive developments and the presence of the largest shareholder on the Board ensures that the Board's focus remains on driving shareholder value. Finally the culture of the Group is to avoid unnecessary discretionary spending and the Board deemed the prospective costs of an externally facilitated review would outweigh the likely additional value and therefore not in the best interest of shareholders.

2. We did not comply with Section D.2.3 of the Code which states that remuneration of Non-Executive Directors should be made within the limits set in the Articles of Association. Retrospective approval for these payments will be sought at the Company's AGM on 24 October 2014, and a resolution increasing the remuneration limit will be put to shareholders.

Further explanation of how the main principles and supporting principles of the Code have been applied is set out in this Corporate Governance statement and in the Directors' Remuneration Report. A copy of the Code is publicly available on the Financial Reporting Council's website at www.frc.org.uk.

The Company's auditor, PwC, is required to review whether the above statement reflects the Company's compliance with the provisions of the UK Corporate Governance Code specified for its review by the Listing Rules and to report if it does not reflect such compliance; no such report has been made.

The Board

ROLES AND RESPONSIBILITIES OF THE BOARD

The Board has overall responsibility for the management and performance of the Group. It sets the strategic direction of the Group, monitors performance, determines the appropriate risk appetite, and ensures that sufficient resources in talent and capital are in place to achieve the objectives set and ensures solid succession planning for senior management. It ensures that risk, regulatory and compliance management within the Group is effective. The Board reviews performance, including that of the senior management and senior executives. The Board is also responsible for engaging with shareholders. It is the decision-making body for all other matters deemed material to the Group in strategic, financial and reputational terms.

The Executive Directors are directly responsible for running the business operations. The Non-Executive Directors are responsible for constructively challenging proposals on strategy, scrutinising the performance of management, determining levels of remuneration and for succession planning for the Executive Directors. The Non-Executive Directors must also satisfy themselves on the integrity of financial information and that financial controls and systems of risk management are robust.

The Directors are also responsible for ensuring that obligations to shareholders and other stakeholders are understood and met, and that a satisfactory dialogue with shareholders is maintained. All Directors are equally accountable to our shareholders for the proper stewardship of our affairs and the success of the Company.

Except for a formal 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 who is supported by the Executive Committee and senior management. The Chief Executive and Executive Directors of the Group are responsible to the Board for developing strategy and the profitability and overall performance of the Group.

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, it is only the Board which can appoint and remove Directors and our Company Secretary. The Board also has overall responsibility for the Group's system of internal controls and risk management. Risk management arrangements are described below.

Governance framework

GOVERNANCE FRAMEWORK

The Group operates within a clear governance framework, which is outlined in the diagram above and set out in the report that follows. The Group's internal control and risk management framework is described below in the Internal Controls section.

Certain responsibilities of the Board are delegated to the Board Committees to assist the Board in carrying out its functions and to ensure independent oversight of internal control and risk management. Other non-board committees form part of the Corporate Governance framework, but are not formally appointed committees of the Board. These committees feed back to the main Board and Board Committees via an Executive Director where appropriate.

BOARD SIZE, COMPOSITION AND CHANGES DURING THE YEAR

As at 30 June 2014 there were eight Directors on the Board: the Chairman, four independent Non-Executive Directors, and three Executive Directors. The size and composition of the Board is regularly reviewed by the Board and, in particular the Nominations Committee, to ensure that there is an appropriate and diverse mix of skills and experience.

During the year, the following changes were made:

- Jonathan Bloomer retired from the Board as a Non-Executive Director on 25 October 2013; and
- Shirley Garrood was appointed to the Board as a Non-Executive Director on 25 October 2013.

Details on our Board members, including other directorships, are on page 31.

INDEPENDENCE OF NON-EXECUTIVE DIRECTORS

The Code sets out the circumstances that should be relevant to the Board in determining whether each Non-Executive Director is independent. We have given due regard to provision B.1.1 of the UK Corporate Governance Code and the Board has concluded that Dharmash Mistry, Stephen Robertson, Chris Barling and Shirley Garrood were independent directors throughout the financial year. Jonathan Bloomer was an independent director until his retirement from the Board. Michael Evans was independent on appointment as Chairman. Chris Barling is currently the Senior Independent Non-Executive Director.

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 Hargreaves Lansdown 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 Company. 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 of today, the Board numbers eight in total, of which three are executive and five independent (including the Chairman). Female directors constitute 25% of the Board and 14% of the Executive Committee (25% when including the Company Secretary). Subject to the requirements set out above, Hargreaves Lansdown will aim to maintain female representation on the Board at least at the current level and give due consideration to increasing the level if appropriate candidates are available when Board vacancies arise.

A copy of our full statement on Board Diversity can be found on www.hl.co.uk.

THE ROLES OF CHAIRMAN AND CHIEF EXECUTIVE

The roles of the Chairman and Chief Executive are clearly defined, separate and approved by the Board.

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 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 Chief Executive has executive responsibilities for the operations, results and strategic development of the Group. He is responsible for the delivery of strategy and leads the executive management team.

BOARD SUPPORT

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. All Directors have access to the services of the Company Secretary.

In order for Directors to fulfil their duties they can also seek independent professional advice, at the Company's expense.

BOARD MEETINGS

The Board convenes at least four times each financial year and the Board convened nine times in the last financial year. Five of these were physical meetings and four were conference calls.

Physical meetings are held in such a way as to encourage robust and constructive challenge and debate which enables the Non-Executive Directors to use their knowledge and experience to critically review strategies proposed by management. This approach ensures that we act in the long-term best interests of our shareholders.

From July 2013, as a direct result of the Board Effectiveness review last year, the Board introduced interim Board meetings to fall between the four main Board meetings, which take place in the form of conference calls. These further help the Non-Executive Directors to keep fully informed of recent developments and ensure that Directors fully work together to ensure the smooth running of the business.

Between Board meetings, Directors are also provided with monthly information packs which include detailed commentary and analysis. 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 have also held meetings separate to those with the Executive Directors, including meeting with the external auditor and the Head of Internal Audit.

DIRECTORS

Under the existing Articles of Association all directors have to submit themselves for re-election annually if they wish to continue serving and are considered by the Board to be eligible. All current directors wish to be re-elected and the Board confirms that all individual performance reviews demonstrated that the directors continue to demonstrate effective performance and commitment to their roles.

TRAINING

Our Chairman 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.

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.

BOARD EFFECTIVENESS AND PERFORMANCE EVALUATION

This year, the Board carried out an internally facilitated Board effectiveness review. The review was led by the Chairman and covered the effectiveness of the Board as a whole, its individual Directors and its Committees. One to one discussions were held between the Chairman and the Non-Executive Directors and between the Chairman and the Chief Executive. All Directors were given the opportunity to provide comments on the draft report. The effectiveness review was discussed and approved at the Board meeting in August 2014. The conclusion was that, despite the focus of the work of the Board being dominated by the RDR, the Board's effectiveness had improved over the year. The increased number of meetings had helped and a greater focus on strategy and its implementation had been achieved. Greater input and challenge had been provided by the Non-Executive Directors both inside and outside the Board meetings. As always, there is room for improvement and a number of actions have been agreed to be pursued in the coming year which should deliver further improvements.

Individual appraisal of each Executive Director's performance is undertaken by either the Chief Executive or Chairman each year and involves meetings with each director on a one-to-one basis. The Non-Executive Directors, led by the Senior Independent Director, carry out an appraisal of the performance of the Chairman. The Chief Executive's performance was evaluated by the Chairman with input from the rest of the Board.

OTHER INFORMATION

Certain additional information in relation to the Company's share capital, the powers of directors and amendments to the Articles of Association that is required to be disclosed pursuant to DTR 7.2.6 may be found in the Directors Report on pages 55 to 57.

Board committees

This section of the report sets out how the Board and its Committees work within the Group's governance framework and corporate governance guidelines.

The Board is authorised to manage the business of the Company in accordance with the Company's Articles of Association. The Articles of Association may be amended by special resolution of shareholders, unless the Articles specify otherwise. Certain responsibilities of the Board are delegated to the Board Committees to assist the Board in carrying out its functions and to ensure independent oversight of internal control and risk management. The three principal Board Committees (Audit, Remuneration, and Nomination) play an essential role in supporting the Board in fulfilling its responsibilities. The Chairman of each Committee reports to the Board. The minutes of each Board Committee meeting are circulated to the attendees.

The Board Committees all have formal terms of reference that have been approved by the Board, and performance of the Committees is assessed annually by the Board. 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 the terms of reference of the Audit, Remuneration and Nomination Committee are available on the Group's website (www.hl.co.uk/investor-relations). A summary of the terms of reference for each committee is included in the committee summaries below.

AUDIT COMMITTEE

Details of the composition and work of the Audit Committee are provided in the Audit Committee Report on pages 39 to 41.

REMUNERATION COMMITTEE

Details of the composition and work of the Remuneration Committee are provided in the Directors Remuneration Report on pages 42 to 55.

THE NOMINATION COMMITTEE

The Nomination 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. The Committee is chaired by Michael Evans and the Committee's other members at 30 June 2014 were Chris Barling, Dharmash Mistry, Shirley Garrood and Stephen Robertson. Jonathan Bloomer was on the Committee until his retirement from the Board on 25 October 2013. The Nomination Committee meets at least twice each year and the Committee met twice during this year. The attendance by each director is set out in the table on page 38.

We have a formal, rigorous and transparent procedure for the appointment of new directors to the Board. The process involves the Nomination Committee interviewing suitable candidates who are proposed by existing Board members, by an external search company, or via searches performed by the Company itself. Consideration will be 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. When the Committee has found a suitable candidate, the Chairman of the Committee will make a proposal to the whole Board and the appointment is the responsibility of the whole Board following recommendation from the Committee.

During the year the Committee completed the successful search for a new Non-Executive Director, resulting in the appointment of Shirley Garrood. Details of the process used in the recruitment of Mrs Garrood were detailed in the 2013 Annual Report. Following this appointment, the Committee reviewed the composition of the Committees and recommended the appointment of Chris Barling as Chairman of the Remuneration Committee and also as Senior Independent Director and the appointment of Shirley Garrood as Chairman of the Audit Committee and to join the Nomination and Remuneration Committees.

The Committee has reviewed the succession plans for the senior management team and considered individuals with the potential to take on management positions in the future. The Board is further considering the organisation structure and succession will form part of these discussions.

Other committees

These committees form part of the Corporate Governance framework, but are not formally appointed Non-Executive committees of the Board. The two main Committees are the Executive Committee and the Risk Committee:

EXECUTIVE COMMITTEE

The Board has delegated full authority to the Executive Committee subject to a list of matters which are reserved for decision by the full Board only. In particular, the Executive Committee is responsible to the Chief Executive 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 meets at least quarterly but more frequently when required, and met seven times during the current financial year. The attendance by each director is set out in the table on page 38.

The Executive Committee is chaired by the Chief Executive, Ian Gorham, and in his absence by either Tracey Taylor or Peter Hargreaves. During the year the committee also comprised the following:

- Nigel Bence – Chief Operating Officer
- Nick Marson – Vantage and Broking Operations Director
- Ian Hunter – Investment Marketing Director
- David Davies – IT Director
- Alex Davies – Director of Pensions (until December 2013)

Michael Evans, Mark Dampier, Lee Gardhouse and Stuart Louden are invited to attend the Executive Committee. Biographies of the above are available on our website: www.hl.co.uk/investor-relations.

RISK COMMITTEE

The Risk Committee is chaired by the Chief Operating Officer and also comprises the Chief Executive, Chief Risk Officer, IT Director, Operations Director, Marketing Director and a Non-Executive Director. The Committee reports back to the Board and the Audit Committee on the management of the major risks facing the Group as assessed against the Group's Risk Appetite.

We also have a Treasury Committee, which recommends and oversees changes to the treasury management policy, an Investment Committee, which monitors the investments held in the HL Multi-Manager funds, as well as an Interest Rate Committee, CASS Oversight Committee and an IT Steering Group.

Attendance at meetings during the year by members of the Board and each committee

	Board Meetings *	Board calls	Audit Committee	Remuneration Committee	Nomination Committee	Executive Committee	Risk Committee
Directors							
Ian Gorham	5/5	4/4	-	-	-	7/8	4/4
Peter Hargreaves	5/5	2/4	-	-	-	6/8	-
Tracey Taylor	5/5	4/4	-	-	-	8/8	-
Michael Evans	5/5	4/4	-	4/4	2/2	-	-
Jonathan Bloomer (1)	1/1	2/2	2/2	4/4	2/2	-	-
Chris Barling	5/5	4/4	4/4	4/4	2/2	-	-
Dharmash Mistry	4/5	4/4	4/4	4/4	2/2	-	-
Stephen Robertson	5/5	4/4	4/4	-	2/2	-	4/4
Shirley Garrood (2)	4/4	2/2	2/2	2/2	-	-	-
Executive Committee							
Nigel Bence	-	-	-	-	-	8/8	3/4
Alex Davies (3)	-	-	-	-	-	3/4	-
Nick Marson	-	-	-	-	-	7/8	4/4
Ian Hunter	-	-	-	-	-	8/8	3/4
David Davies	-	-	-	-	-	6/8	4/4

* Where Board meetings have been held for a specific purpose to discuss matters at short notice, all Board members are sent papers and given the opportunity to comment by telephone or email if they are unable to attend at short notice. In addition to the four scheduled Board meetings during the year, five additional Board calls were held as updates between the formal Board meetings.
(1) Attendance represents number of meetings prior to stepping down in October 2013. (2) Attendance represents number of meetings since appointment in October 2013. (3)Attendance represents number of meetings prior to stepping down in December 2013.

Relations with shareholders

We are committed to maintaining good communications with our shareholders. We have a programme of communication with shareholders based on our financial reporting calendar including the interim and annual reports, Interim Management Statements, the Annual General Meeting (AGM) and the Investor Relations section of the corporate website at www.hl.co.uk.

In addition to this, the Chief Executive and Chief Financial Officer meet with institutional investors after results announcements and upon request 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. Chris Barling, our Senior Independent Non-Executive Director, is also available to meet key investors.

Following dialogue with individual institutional shareholders, the Chairman, Chief Executive and the Chief Financial Officer ensured the Board was fully briefed on shareholders' views such that any issues or concerns were fully understood and considered by the Board. Analyst and broker briefings are regularly provided to the Board. In addition, the Group's brokers sought feedback from investors following the 2013 final and 2014 interim results, and this feedback was reported to the Board.

All Directors made 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.

To ensure compliance with the Code, at all general meetings separate resolutions are proposed on each discrete subject. Resolutions have been passed on a show of hands, and proxy votes for, against and withheld for each resolution are displayed at the meeting. Following the AGM, the results of voting are published through a Regulatory Information Service and on our website.

Internal controls

INTERNAL CONTROL FRAMEWORK

The Board is responsible for the effectiveness of the Group's systems of internal control and risk management, the key features of which are outlined in the following chart and detailed below.

Through the monitoring processes set out below, the Board has conducted a review of the effectiveness of the system of internal control during the year ended 30 June 2014.

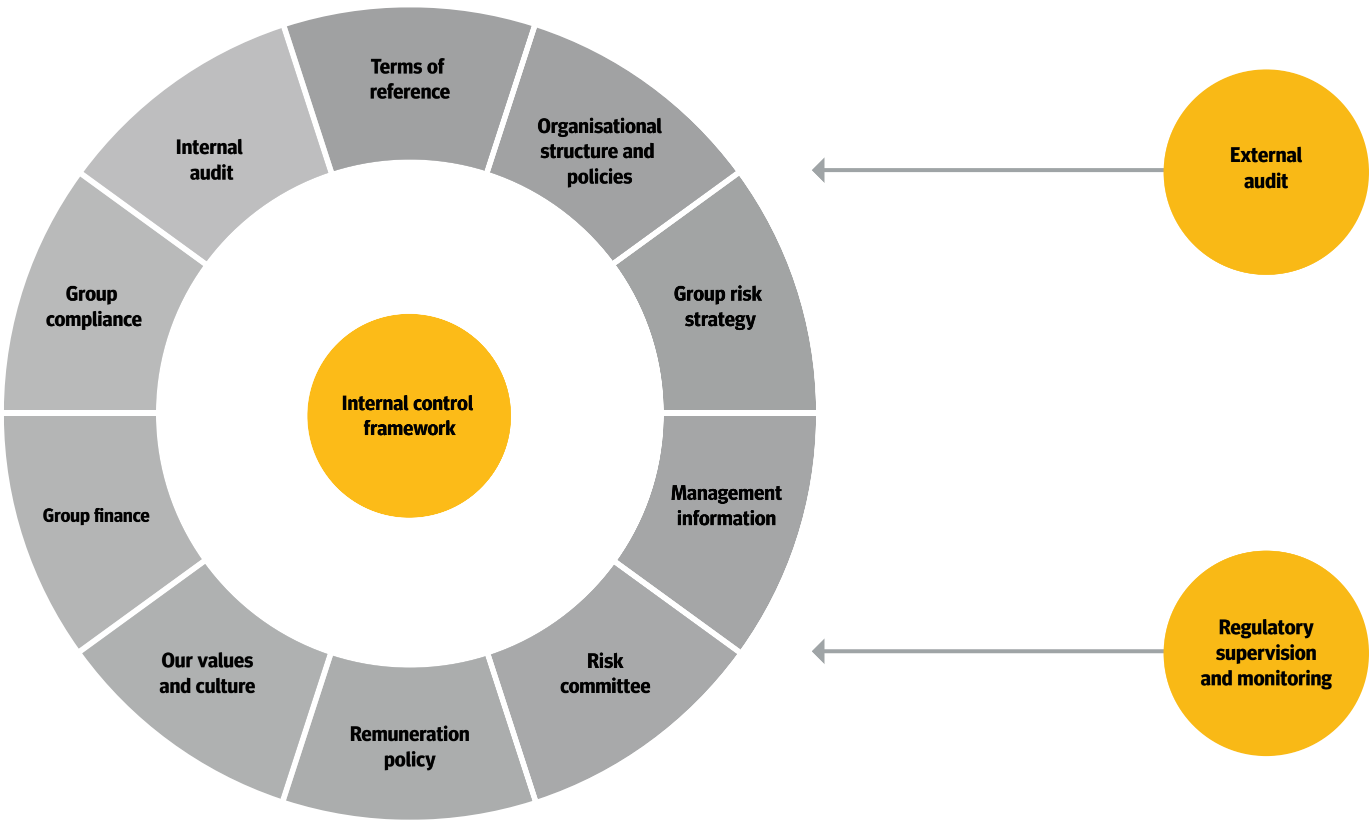
The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and provide reasonable but not absolute assurance as to the effectiveness of the safeguards protecting the business against the risk of material error, loss or fraud. In that context, the review, in the opinion of the Board, 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 Annual Report. However, in acknowledgement that the business and the risks it faces are continually evolving and as part of a process of continuous improvement, steps are being taken to further embed internal controls and risk management into business operations.

KEY FEATURES OF THE INTERNAL CONTROL FRAMEWORK

Terms of Reference
The Board operates within clearly defined terms of reference, and it reserves certain matters for its own consideration and decision. It has established appropriate committees to oversee control activities. These committees also have clearly defined terms of reference. The Board and Committee processes are fundamental to the effectiveness of our internal controls.

Organisational structure and policies
The Board regularly reviews the Group's organisational structure to seek to ensure that clearly defined lines of responsibility exist, with appropriate delegation of authority. Roles and responsibilities are clearly communicated to each member of staff within their 'Apportionment Forms'. These forms are reviewed annually and updated if necessary.

The Board regularly reviews the Group's policies which are in place to manage the Group's exposure to risks, such as treasury, interest rate risk and counterparty risk. Our public interest disclosure (whistleblowing) policy encourages employees to raise concerns about anything that they suspect is fraudulent, corrupt, dangerous or seriously wrong. They can raise concerns on a confidential basis, enabling proportionate and independent investigation to be undertaken. We thoroughly investigate any allegations of misconduct and irregularity and consider the implications for our control environment.



Due to the nature of our business, we are subject to attempted fraud on a regular basis. Strict processes and controls mean that we are able to identify attacks and deal with them appropriately on a timely basis. We are continually looking at ways of making our clients' transactions with us more secure and have dedicated resource within the business whose focus is on managing fraud risk. We also employ external consultants to test our defences and to minimise fraud risk.

Group Risk Strategy
The Group Risk Strategy requires senior managers to identify, evaluate and manage risks in their business units. Risk registers are kept at department level and regular meetings are held between department managers and members of the Risk team to ensure that risk management remains high on the agenda of the business. Target dates for resolution of issues are continually monitored. A summary of significant risks is provided within the Business Review.

Risk management processes within the Group accord with the 'Internal Control: Guidance to Directors' (formerly the Turnbull guidance), and are supported by reports from the Internal Audit function which include focus on significant risks faced by the Group.

Management information
Detailed packs of key information are circulated monthly to our senior management team and Non-Executive Directors. Our business performance is monitored closely by the Board and senior management, in particular monitoring of:

- progress towards strategic objectives;
- financial performance, within a framework including forecasting, financial reporting, reviewing variances against plan and prior year and taking appropriate management action; and
- risk management processes.

Risk Committee
The Risk Committee reports to the Board and the Audit Committee on the management of the major risks and emerging risks facing the Group as assessed against the Group's Risk Appetite.

Remuneration policy
Risk management is embedded into the Apportionment Forms of every employee and awareness and mitigation of the risks faced by the Company are key factors used to evaluate individual performance. This policy creates an environment which ensures excessive risk taking is not rewarded. We believe that nothing will better encourage employees to look after the long-term future of the Group than being shareholders themselves, and so staff have the opportunity to invest in regular Save As You Earn share schemes and exceptional performance by key employees and senior managers will be rewarded with the grant of executive share awards.

Our values and culture
Any system of internal control is dependent on the people operating it. 'Our Culture' defines what we expect from our people. We pride ourselves on the culture which exists within the Company. We have a 'one-firm' mentality which helps everyone take responsibility for the whole of the business. We have a saying "success comes from putting the client first, Hargreaves Lansdown second and your department third." This engenders service levels which many other companies can only aspire to and ensures that the requirements of our clients are foremost in our employees' decision making process.

Group Finance
The Group Finance department manages our financial reporting processes to ensure the information which enables our Board to discharge its responsibilities is provided on a timely basis. It ensures cost controls are in place and that the business efficiently manages its resources. It also produces a financial forecast based on the strategic and operational plans of the business which is continuously reviewed and is used to plan and review regulatory capital requirements.

Group Compliance
Our Compliance function manages relationships with the Group's key regulators alongside identifying major compliance and regulatory risks. Our Money Laundering Reporting Officer (MLRO) is part of the Risk and Financial Crime team and is responsible for ensuring we have suitable anti-money laundering (AML) procedures and controls, and adequate AML training for all staff. The MLRO specifically considers the risk of loss through financial crime and the controls in place to mitigate the risk of such loss.

Internal Audit
Our Internal Audit function reports to the Audit Committee on the effectiveness of key internal controls.

External audit and regulatory supervision
The majority of the activities of the Group, including the systems of business control, are subject to supervision by the Financial Conduct Authority. The Group is required on a regular basis to submit detailed prudential and statistical returns covering all areas of its business and meets regularly with its supervisors, conducting the relationship in an open and constructive manner. In addition, the Audit Committee also receives reports from our external auditor.

Audit Committee Report

Shirley Garrood
Chairman of the Audit Committee

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

- monitoring the financial reporting process including the integrity of our annual and interim reports, preliminary results and any other formal announcements relating to financial performance;
- ensuring that the integrity of our Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides shareholders with the information necessary to access the Company's performance, business model and strategy;
- reviewing the Group's internal financial controls and the Group's internal control and risk management systems;
- monitoring and reviewing the effectiveness of the Group's Internal Audit function;
- making recommendations to the Board, for a resolution to be put to the shareholders for their approval in general meetings in relation to the appointment or removal of the external auditor and the approval of the remuneration and terms of engagement of the external auditor;
- 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; and
- overseeing the Group's procedures for public interest disclosure (whistleblowing).

The Audit Committee reports its findings to the Board, identifying any matters in respect of which it considers that action or improvement is needed, and makes recommendations as to the steps to be taken. However, the Board retains ultimate responsibility for reviewing and approving financial reports and other public statements.

The Chairman of the Audit Committee will be available at the Annual General Meeting to answer any questions about the work of the Committee.

COMPOSITION OF THE AUDIT COMMITTEE

The members of the Audit Committee at 30 June 2014 were:
Shirley Garrood – Chairman (Chartered Accountant) – appointed 25 October 2013
Chris Barling – appointed 26 August 2010
Dharmash Mistry – appointed 3 October 2011
Stephen Robertson – appointed 3 October 2011

Jonathan Bloomer, who was previously Chairman of the Audit Committee, retired from the Board on 25 October 2013.

All members of the Committee are independent. The biographies of Committee members can be found on pages 32 to 33.

On an on-going 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. During the year a new Chairman was appointed. Appointments are for a period of three years and are extendable by no more than two additional three-year periods. The UK Corporate Governance Code requires the inclusion of at least one member with recent and relevant financial experience and our Committee Chairman currently fulfils this requirement.

The Group provides an induction programme for new Audit Committee members and on-going training to enable all of the Committee members to carry out their duties. The induction programme covers the role of the Audit Committee, its terms of reference and expected time commitment by members, and an overview of the Group's business, including the main business and financial dynamics and risks. New Committee members also meet some of the Group's staff, as appropriate. On-going training includes attendance at formal conferences, internal briefings and briefings by external advisers.

MEETINGS

The Audit Committee meets at least four times each year but more frequently when required, and met four times during this financial year. The attendance by each director is set out in the table on page 38. The Chairman, Head of Internal Audit, Chief Operating Officer, Chief Financial Officer and Chief Executive are routinely invited to, and attend, the majority of meetings, although the Committee reserves the right to request any of these individuals to withdraw. The external auditor also attended all meetings.

In between the formal schedule of meetings the Committee Chairman keeps in regular contact with the Chief Executive, Chief Financial Officer, Head of Internal Audit, Chief Risk Officer and the Senior Engagement Partner of the external auditor.

OVERVIEW OF THE ACTIONS TAKEN BY THE AUDIT COMMITTEE TO DISCHARGE ITS DUTIES

In discharging its responsibilities the Audit Committee concentrated on 4 main areas:

1. **Financial Reporting**
2. **Internal controls and key risks**
3. **Effectiveness of internal audit**
4. **Effectiveness and independence of the external auditor**

The Audit Committee has also conducted a self-assessment of its own effectiveness for the year and was satisfied with the results achieved and has agreed actions where improvements were suggested.

1. Financial Reporting

With support and input from the external auditor, the Committee has considered, challenged and reviewed financial reporting for the Group, assessed whether suitable accounting policies have been adopted, whether management have made appropriate estimates and judgements and whether disclosures in published financial statements were fair, balanced and understandable.

The Committee has also considered, challenged and reviewed regular financial management information, the Group's internal capital adequacy assessment process (ICAAP) document and risk appetite statement during the year.

The integrity of the financial statements is underpinned by the control environment. In this regard, the Committee has considered risk and control reports from the Head of Internal Audit, the Chief Risk Officer, and the Compliance Officer and satisfied itself that the integrity of the control environment supporting the financial reporting and disclosure process is appropriate.

Significant financial judgments and financial reporting for 2014

As part of its work in the year, the Audit Committee, on behalf of the Board, has examined the Annual Report and Financial Statements, Interim Report and Financial Statements, the Interim Management Statements, related disclosures, consistency of accounting policies and the financial reporting process. This has included the review and approval of the Annual Report, and consideration of the Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Going Concern statement and the Statement of Cash Flows, with an emphasis on ensuring that these are fair, balanced and understandable.

As part of the review of the Annual Report, the Audit Committee has considered various issues and discussed how these are addressed:

- The most significant of these are the basis for revenue recognition and the impact of RDR. The Committee has also considered the valuation of share based payments. Whilst considering these issues, the Committee received information from the Chief Financial Officer and the external auditor, and also received specific training regarding the valuation of share based payments. Increased confidence has been derived from the change in external audit approach such that revenue streams were recalculated on 100% of our most significant revenue streams, with sample based testing on the remainder. The external audit has also included a benchmarking exercise of our IT controls, and a review of counterparty balances. In each respect, the Committee concluded that the basis of accounting and disclosure is appropriate.

- The Committee evaluated whether the going concern basis of accounting was appropriate by assessing the ICAAP and forecasts. This included a review of possible extreme stress scenarios. The Committee concluded that the liquidity and capital position of the Group remained appropriate.

The Company has in place arrangements to ensure that the Annual Report, taken as a whole, is fair, balanced and understandable and provides shareholders with the information necessary to assess the Company's performance, business model and strategy. The Committee examined the 2014 Annual Report and Financial Statements and was specifically tasked by the Board to advise it on whether the report is fair, balanced and understandable.

The Committee did this by satisfying itself that there is a robust process of challenge, including challenge by the Committee itself. The Committee's own challenge process included questioning the Chief Executive on the overall messages and tone of his review statement, examining and challenging reports from both management and the external auditor relating to the Annual Report, and reviewing consistency with internal reports presented to the Board by management, the Chief Financial Officer, Head of Internal Audit and Chief Risk Officer during the year. After challenge and debate and consideration of all relevant information, the Committee concluded that it could recommend to the Board that the 2014 Annual Report and Financial Statements are fair, balanced and understandable.

2. Internal controls and key risks

The Audit Committee receives reports at each meeting from Compliance and Risk, as well as Internal Audit. The Committee challenged the key executives on the content and veracity of those reports and the Committee has been satisfied that appropriate arrangements, actions or mitigating controls are in place. Topics addressed this year included:

- The project to upgrade and enhance our IT operating platform
- IT security, including cyber risk
- Considering the impact of the website outage experienced due to exceptionally high volumes of activity during the Royal Mail IPO and resulting lessons learned
- Monitoring CASS and client money reports
- Reviewing the Risk Management arrangements including the assessment of the top ten key risks, potential impact and resulting actions.

3. Effectiveness of Internal Audit

The Audit Committee assists the Board to fulfil its responsibilities relating to the adequacy of the resourcing and plans of the Internal Audit department. Internal Audit presents its plans for audit, using a risk based approach, to the Committee twice a year for prioritisation and approval. The Internal Audit charter can be found on our website at www.hl.co.uk.

Having conducted a review of the Internal Audit department the Committee is happy with both its resources and plans. The Institute of Internal Auditors recommend that an external review of the Internal Audit function is carried out no less than every five years. Our Internal Audit function had a satisfactory external review carried out in May 2012.

The Audit Committee met with the Head of Internal Audit privately this year in order to discuss any matters directly in the absence of management.

4. Effectiveness and independence of the external auditor

The Audit Committee is responsible for the development, implementation and monitoring of the Group's policy on external audit. The policy assigns oversight responsibility for monitoring the independence, objectivity and compliance with ethical and regulatory requirements to the Audit Committee, and day to day responsibility to the Chief Financial Officer. The policy states that the external auditor is jointly responsible to the Board and the Audit Committee and that the Audit Committee is the primary contact.

The Group's policy on external audit can be found on the Group's website at www.hl.co.uk and it is regularly reviewed to ensure that the independence and objectivity of our external auditors is maintained. It sets out the categories of non-audit services which the external auditor will and will not be allowed to provide to the Group, subject to de minimis levels and Audit Committee Chairman approval. The policy establishes guidelines for the recruitment of employees or former employees of the external auditors and for the recruitment of our employees by them. The policy further states that our external auditor may only be used for non-audit work where there are specific circumstances which mean they are the only firm able to provide a good service at an acceptable price. There were no non-audit fees during 2014 (2013: £nil). Fees for the audit for 2014 were £118,000 (2013: £116,000). There are no contractual or similar obligations restricting the Group's choice of external auditor and the external auditor has confirmed to the Committee that they remain independent.

As flagged in our 2013 Annual Report, following a competitive tender process carried out in 2013, PwC replaced Deloitte as our external auditor for the current financial year onwards with engagement terms settled by the Committee. The tender process included assessing the auditor's audit approach and delivery, the composition of the engagement team, audit quality and fees and terms. As part of this evaluation the Audit Committee assessed the independence, objectivity and compliance with ethical and regulatory standards.

Reflecting the fact that 2014 was both the external auditor's and the Committee Chairman's first year, there was continuous engagement with PwC. The focus was on examining their audit plans, discussing PwC's approach to materiality, and discussing their observations at each Audit Committee since their appointment. The plans reflected those outlined as part of the tender process and they adhered to the standards we assessed them against at that time. The Audit Committee met with the external auditor privately this year in order to discuss any matters directly with the Senior Engagement Partner in the absence of management.

The Committee is satisfied with the performance and effectiveness of PwC and has concluded that PwC continues to display the necessary attributes of independence and objectivity.

The external auditor will be asked to attend the AGM and will be available to answer shareholders questions about the audit and their report found on page 59.

Signed on behalf of the Audit Committee.

Shirley Garrood
Chairman of the Audit Committee
16 September 2014

Directors' Remuneration Report

Annual Statement by the chairman of the Remuneration Committee

Christopher D. Barling
Chairman of the Remuneration Committee

Dear Shareholder,

I was delighted to be appointed as Chair of the Remuneration Committee following the retirement from the Board of Jonathan Bloomer.

Hargreaves Lansdown's 2014 Directors Remuneration Report reflects the new reporting requirements arising from regulations introduced by the Department for Business, Innovation and Skills and the requirements of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. The report is split into two sections:

- The Directors' Remuneration Policy (the 'Remuneration Policy' or 'Policy'), which sets out Hargreaves Lansdown's proposed policy for Directors of Hargreaves Lansdown plc (Executive Directors and Non-Executive Directors collectively known as 'Directors') and which will be subject to a binding shareholder vote at our Annual General Meeting (AGM) on 24 October 2014. It is the intention of the Committee that this Policy will be in effect for three years from the date of approval and subject to periodic review during its operation to ensure it continues to align with the Company's mission statement and business objectives.

- The Annual Report on Remuneration, which details the payments made to Directors and explains the link between group performance and remuneration for the 2013/14 financial year (the 'Annual Report on Remuneration'). This will be subject to an advisory shareholder vote at this year's AGM.

The Committee noted the year to 30 June 2014 was characterised by continued growth, substantial new asset and client flows into Hargreaves Lansdown's services, and successful adoption of extensive regulatory change the most significant of which being the FCA's Retail Distribution Review. Record growth in net new business and clients was achieved. Net new business was up by 25% to £6.4 billion and we welcomed 144,000 net new clients. Assets under administration increased by 29% and profit before tax was a record £209.8 million.

The Committee's considered view was that 2014 had been a good year for Hargreaves Lansdown, with excellent new asset and client attraction, and the decisions on variable remuneration should reflect both this but also the drag effect on profit growth of the low interest rate environment. Whilst interest rates are beyond management's control, in the short term they have led to reduced margins on cash balances which meant profit growth lagged growth in clients and assets. Therefore the Executive Director's bonus pool for 2014 was slightly reduced compared to 2013.

OBJECTIVES

Hargreaves Lansdown's remuneration practices are designed to promote the long term success of the company by supporting the business strategy and we believe that this is best done by motivating and retaining our talented employees. Our new Remuneration Policy (subject to shareholder vote) is a minor evolution from existing practice. The Policy establishes the purpose and principles underlying the structure of the remuneration package for Directors and how the Group links remuneration to the achievements of sustained high performance and long term value creation. Furthermore whilst placing significant weight on performance, our overall remuneration package aligns the long-term interests of Executive Directors with those of our shareholders and other stakeholders by incentivising the growth in the value of the business over the long term.

The Policy is steered by the following key principles:

- Attract and retain Directors of the calibre needed to maintain the Group's position as a market leading financial services company;
- Reward Executive Directors for enhancing shareholder value and acting in the long-term interests of the Group;
- Pay a market competitive total remuneration package;
- Provide significant performance related opportunity for variable remuneration;
- Achieve long-term retention through direct share ownership and long-term incentives and;
- Provide a modest provision for retirement with the opportunity to contribute more through salary and/or bonus sacrifice.

The Remuneration Committee does not believe that the structure of the remuneration package incentivises inappropriate risk taking.

OUTLINE OF REMUNERATION FOR EXECUTIVE DIRECTORS

Hargreaves Lansdown provides a simple remuneration package consisting of base salary; annual bonus and long term incentive plan in addition to the same benefits package and salary sacrifice arrangements that are available to all employees of the Group.

The annual bonus is partly paid immediately in cash and part is deferred into shares and/or cash for three years and is subject to a malus provision (explained in more detail below); the long term incentive plan provides share options that vest after three years, subject to formal performance conditions and also subject to malus. There is also a minimum shareholding requirement.

The total bonus pool is capped as a proportion of profit before tax which establishes a clear link between rewards to shareholders and to both Executive Directors and senior management within the Group. Individual payments to Executive Directors are capped as a percentage of base salary.

A relatively high proportion of remuneration is paid in the form of bonus. The period for the deferral of 30% of bonus, the performance period for the long term incentive scheme and the period over which malus can be applied is three years. Hargreaves Lansdown's current business model ensures that profit is quickly translated into cash and as a result the Remuneration Committee deems that these policies and timescales are appropriate.

ACTIONS TAKEN DURING THE 12 MONTHS TO 30 JUNE 2014

The 12 months to 30 June 2014 was very busy for the Remuneration Committee with an extensive programme of work completed, including:

- The Directors' Remuneration Report in the 2013 annual report was reviewed, with consideration given to all of the feedback received from institutional shareholders.
- The performance conditions for the Executive Directors Share Option Plan (LTIP) were set and the level of awards to be made to each Executive Director in respect of performance for the year ended 30 June 2013 under the LTIP were determined.
- The base salary levels and performance bonuses for the Executive Directors were reviewed and agreed, and salary levels for other senior management and FCA Remuneration Code Staff were reviewed.
- The Remuneration Code Staff disclosure was also reviewed and agreed.
- In the light of changing legislation and best practice and the need to ensure alignment with the proposed new Remuneration Policy all Directors contracts were reviewed and will be amended.
- The Remuneration Policy was developed and approved to be put forward to a shareholder vote at the AGM on 24 October 2014.
- The effectiveness of the Remuneration Committee was reviewed by the Committee and it was concluded that the Committee remained effective throughout the year.
- No discretion was exercised by the Committee in respect of any remuneration for Directors.

The key challenge for the year was complying with new legislation while continuing to reinforce the Hargreaves Lansdown culture that has led to the success of recent years.

TAKING ACCOUNT OF SHAREHOLDER VIEWS

We were delighted that last year's remuneration report received a favourable vote of 92.8% from shareholders.

In the previous period we met with a number of large shareholders to determine their views on our approach to remuneration. This year has seen much less change to our remuneration policy. As a result, whilst we have consulted with our largest shareholders this year on executive remuneration matters, the level of consultation has been lower than last year.

DIRECTION OF TRAVEL

Our Remuneration Policy is already well embedded and has been successful over several years as has been seen in the business results. The Committee has determined that the relationship between bonus and fixed elements of remuneration has become unbalanced, which has raised some issues in recruitment and retention across the business. As a result we will be increasing base salaries and relatively reducing bonuses across the entire group. We are applying this principle to senior management (directors of the subsidiary companies) this year but have decided to leave Executive Directors salaries unchanged.

The overall average levels of total remuneration are not expected to change other than due to varying business performance.

Peter Hargreaves' nominal salary has been adjusted to reflect the increased hours he has been working.

COMPLIANCE WITH LEGISLATION AND BEST PRACTICE

New legislation has required the production of our new Directors' Remuneration Policy and Annual Report on Remuneration. Hargreaves Lansdown had already made significant changes to our approach to remuneration in the last few years and I am pleased to report that the new Policy largely documents existing practices with the commercial elements unchanged. This report has been prepared in accordance with the provision 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.

The Directors' Remuneration Policy is subject to a binding vote and will take effect immediately after the AGM if it is approved by shareholders. The Annual Report on Remuneration is subject to an advisory vote.

I would like to commend both reports to our shareholders.

Christopher D. Barling
Chairman of the Remuneration Committee
16 September 2014

Directors’ Remuneration Policy

The Committee presents the Directors’ Remuneration Policy (Policy) for the Hargreaves Lansdown plc (Group) as set by the Remuneration Committee (Committee) for all Company directors (‘Directors‘). This will be put to shareholders for approval at the Annual General Meeting (AGM). The Policy will take effect immediately following the AGM of 24 October 2014 and is consistent with the arrangements in place from the start of the 2014 financial year. It is the intention of the Committee that this Policy will be in effect for three years from the date of approval and subject to periodic review during its operation to ensure it continues to align with the Company’s mission statement and business objectives.

The Company’s Policy is designed such that each component of remuneration works in unison with the others to form an overall package which will attract, retain and motivate individuals of the calibre required to run a group of the scale and complexity of Hargreaves Lansdown. For Executive Directors, packages are provided which are weighted towards performance with measures which reflect individual and corporate performance over a one and three year time horizon.

The Policy is divided into separate sections for Executive and Non-Executive Directors. The remuneration of the Executive Directors and Chairman is set by the Committee under delegated powers from the Board. The Non-Executive Directors’ remuneration is set by the Chairman and Chief Executive. No Director plays a role in setting their own remuneration.

1) Policy applying to the Executive Directors of the Company

Component / Purpose and link to strategy	Operation and performance measures	Maximum Opportunity
Base Salary To attract and retain high performing individuals, considering both the market value of the position and the individual’s skills, experience and performance.	The Committee will review each Director’s Base Salary annually and will consider each individual’s performance and progress taking into account the scope and nature of their role, their ability and their experience. The base salary will also be set with reference to mid-market levels and to remuneration within the Group as well as appropriate comparator companies. Salary increases are usually effective from 1 July.	No prescribed maximum annual increase. Factors considered when determining any increase to Base Salary will include individual performance and any changes in roles or responsibilities. The Committee will also consider increases across the wider senior management team.
Annual Performance Bonus To reward achievement of the Group’s business plan, key performance indicators and the personal contribution of Directors. To align the interests of Directors with those of shareholders.	The level of Performance Bonus payable is linked to key financial metrics as well as individual, departmental and corporate performance against objectives. Bonus awards to Directors are made from the Directors’ annual performance aggregate bonus pool (which also provides for bonuses for the wider senior management team). The size of the aggregate bonus pool is established taking account the Group’s key performance indicators for the relevant financial year such as underlying profit before tax, operating margin, underlying earnings per share, quality of customer service provided, corporate governance, compliance with regulatory requirements and risk management along with making some allowance for impacts on profit outside of management’s control such as market and interest rate movements. The Committee considers each individual Director’s performance against his or her personal objectives to ensure that awards are made where performance so merits. 30% of the Annual Performance Bonus is subject to compulsory deferral for a period of three years. It may be deferred into deferred share awards and / or deferred cash awards at each Director’s discretion, subject to each Director maintaining the required minimum shareholding. Dividend alternatives will accrue on deferred share awards and will be paid at the time of vesting. To the extent that the minimum shareholding is not yet held, the Director must defer into share awards. At the discretion of the Committee, the immediately payable element of the Annual Performance Bonus may be paid as cash and/or as an additional employer pension contribution. Any unvested deferred awards are subject to a formal malus mechanism.	The aggregate bonus pool is capped at 5% of Profit Before Tax for that year. The maximum bonus opportunity for Directors under the Policy is five times base salary for the reward period.

Long term incentive plan To align the interests of Directors with those of shareholders and to reward growth of the long-term value of the business.	Annual awards of market value share options will vest after 3 years subject to continuing employment and to the extent that performance tests are met over the 3 year performance period. The awards are subject to up to three performance conditions including one profit related and up to two business performance indicators. In respect of each performance condition, which are set by the Committee prior to the grant of the award, performance below the minimum threshold results in zero vesting. Vesting of each performance condition starts at 25% and rises to 100% for levels of performance between the minimum and maximum targets. Any unvested awards are subject to a formal malus mechanism.	The maximum award each year under the Policy is two and a half times base salary.
Shareholding Guideline To align the interests of management and shareholders in the success of the Group.	Directors have six years from appointment to achieve a shareholding with a minimum value of two times base salary with a minimum goal of one times after three years assessed on 30 June of each year.	Not applicable.
Pension To provide 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 Committee reserves the right to pay a cash allowance in place of an employer pension contribution where a Director has reached the Lifetime Allowance.	Current policy for all staff pensions is defined contribution with an employer contribution of a maximum of 4% of base salary. Any contribution paid as a result of waiver of the cash element of an Annual Performance Bonus will not be counted towards the 4% maximum.
Benefits An 'across the board' benefits package is available to both 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 PHI is provided to all staff with greater than 6 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.	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 pay no more than is necessary in such situations.

b) Special arrangements for founding Executive Director

The cap on annual performance bonus in relation to basic salary will not apply to Peter Hargreaves due to the nominal value of his base salary, although the absolute value of his bonus in any year will not exceed that of the Chief Executive. Mr Hargreaves is also not subject to the compulsory deferral of any element of his annual performance bonus.

c) Policy applying to the Chairman and Non-Executive Directors of the Company

Component / Purpose	Operation
Basic fee To attract and retain high performing individuals, considering both the market value of the position and the individual's skills, experience and performance.	The Chairman and Non-Executive Director's basic fees are reviewed annually by those responsible as outlined earlier. Fee increases, if applicable, are normally effective from 1 July. The fee levels are set taking into account market data for comparable positions taking account of the time commitment required for the role. All Non-Executive Director's fees including those below are paid in cash, on a quarterly basis. The Non-Executive Directors are not eligible for bonuses, pension, or to participate in any Group employee share plan.
Committee Chairman fees To recognise the additional time commitment and responsibility involved in chairing a Committee of the Board.	Each Non-Executive Director receives an additional fee for each Committee for which they are Chairman. 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.
Senior Independent Director (SID) fee To recognise the additional time commitment and responsibility involved holding the role of the SID.	The SID receives an additional fee for his 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 Director 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. Reduced share dealing fees, in line with those charged for all other employees. No other benefits are made available to Non-Executive Directors.

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

SERVICE AGREEMENTS AND LOSS OF OFFICE PAYMENTS

All Executive Directors have a service contract and the Non-Executive Directors are contracted under a letter of appointment. Both will reflect the approved policy in force at the time of appointment. The service contracts and 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 Annual General Meeting. Under the terms of our Articles of Association, all Directors are subject to annual re-election by shareholders.

EXECUTIVE DIRECTORS

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, 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 below. 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 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.
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 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 the pro-rate 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.

CHAIRMAN AND NON-EXECUTIVE DIRECTORS

The Chairman and Non-Executive Directors (NEDs) 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 Annual General Meeting 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, NEDs 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.

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, 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 LTIP and in excess of the LTIP salary limit 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. None of these payments made on new appointments will be deemed to be taken from the bonus pool.

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.

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 policy in order to so comply.

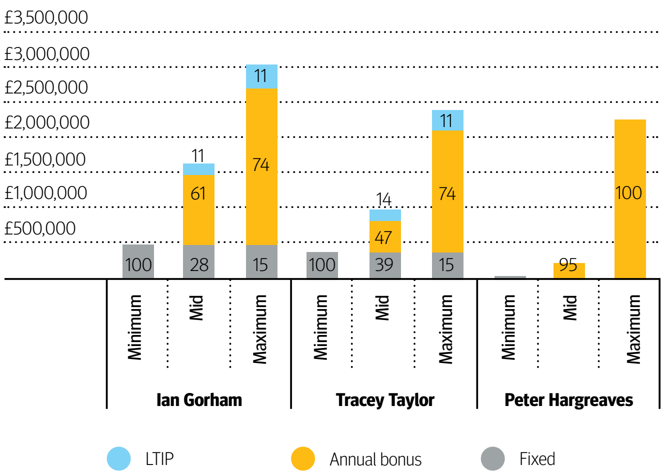
PAY MODELLING AND PERFORMANCE MEASURE SELECTION

The Committee will disclose 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 will show the potential value of the current Executive Directors' remuneration for the forthcoming year for three scenarios; 'minimum', 'maximum' and 'middle scenario':

- 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 attain at least half of their objectives for the period. It will include both fixed and variable components of remuneration. The variable will reflect performance achieved during the year.
- 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.

The bar chart uses the maximum share price growth assumption of 30% growth over a three year period for the calculation of the potential value of the LTIP award.

ILLUSTRATION OF 2014 POTENTIAL REMUNERATION



(Numbers in chart represent percentage of total)

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.

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

Whilst 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 advisors to ensure we consider current market and industry practices, where appropriate.

Annual Report on Remuneration

The Directors Remuneration Report also encompasses the Chairman of the Remuneration Committee's statement.

IMPLEMENTATION OF THE DIRECTORS' REMUNERATION POLICY

The Committee has put the Directors' Remuneration Policy into practice recognising that achieving the appropriate balance and determining a fair outcome in setting a competitive level of total remuneration involves judgement. In forming this judgement, the Committee considers pay data at similar size and scale companies operating in similar sectors. However, these do not determine what remuneration the Company offers but rather set a 'context' within which an individual's rewards will be positioned. In determining that positioning, the primary factors taken into account are the challenges the individual faces in their role, and their ability, experience and performance.

HOW THE REMUNERATION POLICY WILL BE APPLIED FOR YEAR ENDING 30 JUNE 2015

Details of how the Policy will be applied in the coming year are set out below.

Executive Directors salaries

The Executive Director's base salaries were reviewed in June 2014. 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. Historically, Executive Directors' base salaries have been set well below the market median.

Since the Chief Executive took office, the company's sales have grown by 98%, the company's profit by 142% and the share price by 217%, during which time we have become an established member of the FTSE 100. During the same period, the Chief Executive's base salary has remained unchanged. Despite this, the Committee decided not to increase the salary of Ian Gorham, Chief Executive. Tracey Taylor, CFO, received a significant rise in the prior year and the Committee decided that her salary would remain unchanged.

The Committee decided that the nominal salary of Peter Hargreaves should be increased to reflect his additional working hours.

Name of director	Salary as at 1st July 2014 (£)	Salary as at 1st July 2013 (£)	% increase
Ian Gorham	450,000	450,000	0%
Tracey Taylor	350,000	350,000	0%
Peter Hargreaves	10,000	2,000	310%

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.

Chairman and Non-Executive Directors Remuneration

Name of director	2015 Fees (£)	2014 Fees (£)
Michael Evans	152,500	152,500
Chris Barling	75,000	56,216
Dharmash Mistry	50,000	42,500
Stephen Robertson	50,000	42,500
Shirley Garrood[1]	75,000	36,006

[1]Emoluments for Shirley Garrood for 2014 are shown for the 8 months following her appointment to the Board as a Non-Executive Director.

The Non-Executive Director fees include a base fee of £50,000 which includes membership of the various committees. There are additional fees for the senior independent director role (£12,500) and for chairing committees (Remuneration £12,500, Audit £25,000). Fees have increased in 2015 reflecting additional work, more onerous restrictions on Non-Executive Directors arising from CRD IV legislation and an imbalance versus market rates. Details of the membership of the committees are given in the Corporate Governance Report on pages 30 to 35.

Executive Director's annual bonus for the year ending 30 June 2015

The size of the bonus pool will be determined by the Committee based on performance of the Group against a number of financial measures. The relevant measures and the Committee's assessment of performance will be reported in a similar way to the 2014 bonus pool assessment, see below. The bonus pool covers both Executive Directors and the wider senior management team and will be capped at a maximum of 5% of profit before tax as per the Policy.

Similarly, each individual Executive Director's performance and that of the senior management team will be considered by the Committee against objectives to ensure that allocation of the pool is consistent with individual performance. The bonuses awarded to Executive Directors will be constrained to a maximum cap of five times salary as per the Policy, and will be reported in a similar way to the 2014 bonus, see below.

Long Term Incentive Plan

The awards made under the Long Term Incentive Plan (LTIP) in the year will be constrained to a maximum of two and a half times base salary. The awards will be subject to two to three performance conditions which will relate to earnings per share (EPS), net new business flows and a possible third measure. The Committee, whilst generally content with LTIP performance conditions used in previous years, is currently considering how client satisfaction might be further incorporated into future rewards. If an appropriate measure can be determined the Committee intends to enhance the LTIP performance conditions with it. Currently client satisfaction is reflected in the measure of net new business and clients, requiring both attraction of new clients and retention of existing clients through good service. The EPS target and quality of client satisfaction target, if used, will be disclosed for the year in which the initial awards are made and other targets will be fully disclosed retrospectively.

Remuneration payable for the 2014 financial year (1 July 2013 to 30 June 2014) (Audited)
The remuneration received by Executive Directors in relation to performance in 2014 is set out below.

Name of director	Year	Fees/ Basic salary £'000	Benefits (non taxable) £'000	Pension, including salary sacrifice £'000	Cash bonus £'000	Deferred element of bonus £'000	Gain on historic options vesting £'000	Amounts received on crystallisation of JSOP award £'000	Totals £'000
Ian Gorham	2014	412	1	49	1,080	270	8,796	-	10,608
	2013	412	1	49	1,348	150	1,438	3,355	6,753
Tracey Taylor	2014	285	4	59	468	117	220	-	1,153
	2013	208	4	46	617	69	-	4,474	5,418
Peter Hargreaves	2014	10	-	-	-	-	-	-	10
	2013	1	-	-	250	-	-	-	251

Under the 'Gain on historic options vesting', amounts shown include share schemes without performance criteria which have been exercised during the period with the amount being the gain received by the Director at date of exercise, and for schemes with performance criteria, best estimate of amounts to be paid in respect of performance periods concluding at the date of the end of the reporting period. No share options without performance criteria have been granted to Executive Directors since 07/03/2012.

The base salary figures in the above table are the reference base salaries of the Executive Director after any salary sacrifice or exchange into pension or other benefits. Bonuses are shown after any waiver the Director made in respect of additional Employer pension contributions.

The remuneration received by Non-Executive Directors in 2014 is set out below.

Non-Executive Directors and Chairman	2014 Fees (£)	2013 Fees (£)
Michael Evans, Chairman	152,500	152,500
Chris Barling	56,216	42,500
Dharmash Mistry	42,500	42,500
Stephen Robertson	42,500	42,500
Shirley Garrood[1]	36,006	-
Jonathan Bloomer[2]	22,596	66,767
Stephen Lansdown[3]	-	11,954

[1]Emoluments for Shirley Garrood for 2014 are shown for the 8 months following her appointment to the Board as a Non-Executive Director.
[2]Emoluments for Jonathan Bloomer for 2014 are shown for the 4 months up to his resignation to the Board as a Non-Executive Director.
[3]Emoluments for Stephen Lansdown for 2013 are shown for the 4 months up to his resignation to the Board as a Non-Executive Director.

Non-Executive Directors received no other taxable 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 the benefit of officers' liability insurance.

Chris Barling's fees increased during the period. The increase reflects the additional responsibilities in relation to taking on the roles of Senior Independent Non-Executive Director and Chairman of the Remuneration Committee.

Annual bonus for the year ending 30 June 2014 (Audited)
The size of the bonus pool was determined based on performance against a number of financial measures. The relevant measures and the Committee's assessment of performance are as shown below:

Key	
Significantly ahead of expectations	****
Ahead of expectations	***
At or around expectations	**
Below expectations	*

	Profit before tax	Net new business	Net new clients	Opertating profit margin (on net revenue)
Results	£209.8m	£6.4bn	144,000	71.3%
Committee's assessment	**	***	****	**

The Committee's considered view was whilst 2014 had been a strong year overall, the results were not quite as strong as previous years (for many very valid reasons, including those outside of management's control) and decided that the total bonus pool for 2014 should be 2.42% of profit before tax as compared to 3.53% for the previous year (noting that the pool includes provision for the wider senior management team where the population was one less than for the previous year).

The Committee individually considers each Director's performance and that of the senior management team against objectives to ensure allocation of the pool is consistent with individual performance.

Ian Gorham	
Objective	**Committee's assessment**
Delivery of revised business model post RDR	***
Growth in net new business and clients	***
Operational excellence	**

Tracey Taylor	
Objective	**Committee's assessment**
Development of post RDR pricing model	***
Robust financial control	***
Optimise cash returns	**
Keeping company and client cash safe	***

The resulting bonuses for the year ending 30 June 2014 were:

	Cash £'000	Deferred £'000	Total £'000	% of cap
Ian Gorham	1,080	270	1,350	60%
Tracey Taylor	468	117	585	33.4%
Peter Hargreaves	Nil	Nil	Nil	Nil

There were no bonus waivers into pension in 2014, these will be noted in future years if applicable.

DEFERRAL OF ANNUAL PERFORMANCE BONUSES

As disclosed last year the requirement for 30% of all performance bonuses to be waived in favour of deferred awards is being phased in over 3 years. In line with previously stated intentions 20% of the annual performance bonuses is deferred for the current year.

The deferred awards will ordinarily be in the form of shares on which dividends (or dividend equivalents) are earned. However, providing the Director satisfies the minimum shareholding target with reference to base salary, the option is given for deferred awards to be either in shares on which dividends (or dividend equivalents) are earned or in cash on which no interest will be earned, or a mixture of shares and cash. The right to exercise deferred awards will vest after three years provided the individual remains employed by the Hargreaves Lansdown Group.

For additional information, the history of the performance measures and the bonus pool for the last five years is:

Measure	2014	2013	2012	2011	2010
Profit before tax ("PBT")	£209.8m	£195.2m	£152.8m	£126.0m	£86.3m
Net new business	£6.4bn	£5.1bn	£3.2bn	£3.5bn	£3.3bn
Net new clients	144,000	76,000	45,000	50,000	48,000
Net operating margin (on net revenue)	71.3%	71.5%	67.8%	64.7%	58.0%
Bonus pool as % of PBT	2.42%	3.53%	3.75%	3.74%	1.59%

VESTING OF LONG TERM INCENTIVE AWARDS FOR FINANCIAL YEAR ENDING 30 JUNE 2014 (AUDITED)

A total of 1,300,000 market value share options were exercised by Ian Gorham in the year. Tracey Taylor exercised 15,355 market value share options in the year. There were no performance conditions attached to these awards which were granted before the Long Term Incentive Plan was introduced in 2012.

LTIP AWARDS MADE DURING THE YEAR ENDING 30 JUNE 2014 (AUDITED)

In respect of performances of the Executive Directors during the year ended 30 June 2013, the Remuneration Committee made awards under the LTIP on 17 February 2014. Each Director received an award of 50,000 share options (the face value of these awards being 148% of base salary for Ian Gorham and 190% of base salary for Tracey Taylor). These awards are well within the maximum levels permitted by the rules of the Plan.

Name of director	Type of award	Market value of maximum award at date of grant	Share price on date of grant (exercise price)	Number of shares over which the award was granted	Face value of award	Fair value at date of grant[1]	% of face value that would vest at threshold	Performance period determining vesting
Ian Gorham	LTIP	Two and a half times salary – £1,125,000	£13.29	50,000	£664,500	-	25%	1 July 2013 – 30 Jun 2016
Tracey Taylor	LTIP	Two and a half times salary – £875,000	£13.29	50,000	£664,500	-	25%	1 July 2013 – 30 Jun 2016
Peter Hargreaves	None	-			-			

[1] Fair value is calculated as the difference between market value and the exercise price at the date of grant

Performance conditions for the awards made under the Plan during the year ended 30 June 2014 were as follows, with the performance period commencing 1 July 2013:

Performance condition	Percentage of award	Threshold	Maximum
Earnings per share ('EPS')[2]	1/3	36.6p	43.4p
Net new business inflows	1/3	1	1
Net new clients	1/3	1	1

[1]The precise targets for net new business inflows and net new clients are commercially sensitive and cannot be disclosed in full. The Committee will disclose the net new business inflow targets and the net new client targets (and performance against those targets) in the first remuneration report of the Company following the end of the performance period.
[2]For earnings per share, the target is based on average undiluted basic EPS for each financial year in the performance period.

Each target will have a threshold and maximum target set by the Committee. Provided the threshold is achieved, 25% of that part of the Option relating to that performance condition will vest, rising to vesting in full if the maximum target is met or exceeded. For performance between the minimum and maximum targets, the vesting will be pro-rated on a straight line basis between 25% and 100%.

MALUS

A malus provision exists on unvested awards made under the LTIP and on the deferred element of annual Performance Bonuses. These individual deferred awards may be reduced in whole or in part at the discretion of the Remuneration Committee in the event that in the opinion of the Remuneration Committee:

- there is found to be a material mis-statement of the financial performance on which annual Performance Bonuses were based;
- a serious regulatory problem comes to light;
- a Director, or an employee for which they are responsible, has done or has allowed to be done, something which has a serious detrimental effect on the reputation of the Company;
- a Director has not appropriately identified serious risks relevant to their business area, and/or implemented appropriate controls for identified serious risks.

The Committee deemed that none of these applied during the year.

OUTSTANDING SHARE OPTIONS AND SHARE AWARDS (AUDITED)

Below are details of outstanding share options and awards for Executive Directors:

Name of director	Scheme	Grant date	Exercise price £	Number of shares under option at 1 July 2013	Number granted during year	Number vested during year	Number of shares under option at 30 June 2014	End of performance period & vesting date	Performance period
Ian Gorham	2013 LTIP	17/02/14	13.29	-	50,000	-	50,000	30/06/16	2.5 years
	2012 LTIP	02/01/13	6.87	60,000	-	-	60,000	30/06/15	3 years
	Deferred bonus options	17/02/14	nil	-	16,865	-	16,865	30/06/17	2.5 years
	Sharesave	29/03/12	3.65	4,109	-	-	4,109	01/05/17	5 years
	Exec Scheme	15/09/10	2.87	500,000	-	500,000	-	15/09/13	3 years
	Exec Scheme	08/10/10	4.58	800,000	-	800,000	-	08/10/13	3 years
Tracey Taylor	2013 LTIP	17/02/14	13.29	-	50,000	-	50,000	30/06/16	2.5 years
	2012 LTIP	02/01/13	6.87	60,000	-	-	60,000	30/06/15	3 years
	Deferred bonus options	17/02/14	nil	-	7,713	-	7,713	30/06/17	2.5 years
	Sharesave	28/09/08	1.75	2,373	-	2,373	-	27/09/13	5 years
	Sharesave	29/03/12	3.65	3,090	-	-	3,090	01/05/17	5 years
	Sharesave	01/05/14	11.43	-	1,637	-	1,637	01/05/19	5 years
	Exec Scheme	24/03/09	1.95	15,355	-	15,355	-	24/03/14	5 years
Peter Hargreaves	None								

Long Term Incentive Plan
The outstanding LTIP awards are subject to the same performance conditions, vesting rules and planned disclosure as documented in 'LTIP awards made during the year ending 30 June 2014' above, except that the threshold and maximum targets vary for those options granted in year ending 30 June 2013.

Sourcing shares
ABI 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)

Executive Directors are required to accumulate minimum personal holdings in Hargreaves Lansdown plc shares amounting to a value of two times base salary. Executive Directors with less than six years' service are required to hold a minimum of one times base salary. Newly appointed Executive Directors will be given up to three years to comply with this requirement.

All Executive Directors in the financial year currently own shares outright, at a level exceeding their required shareholding as described above based on a share price of £12.38 (being the closing price on 30 June 2014). Current shareholdings are summarised in the following table:

Name of director	Beneficially owned at 30 June 2013	Beneficially owned at 30 June 2014	Outstanding LTIP awards with performance conditions	Outstanding subject to continued employment, arising from deferred bonus	Shareholding guideline (multiple of salary)	Shareholding multiple of salary achieved at 30 June 2014
Ian Gorham	282,628	332,628	110,000	20,974	Two times	Over nine times
Tracey Taylor	745,641	763,369	110,000	12,440	Two times	Over ten times
Peter Hargreaves	152,717,606	152,639,678			Two times	Over ten times

As at 30 June 2014, the Non-Executive Directors held the following Hargreaves Lansdown shares:

Non-Executive Director	Shares
Michael Evans	8,125
Chris Barling	-
Dharmash Mistry	5,308
Stephen Robertson	9,890
Shirley Garrood	-
Jonathan Bloomer (at date of resignation)	15,625

PERCENTAGE CHANGE IN CHIEF EXECUTIVE'S REMUNERATION

The table below shows the percentage change in remuneration of the Director undertaking the role of Chief Executive and the Company's employees as a whole between the year ended 30 June 2013 and the year ended 30 June 2014.

	Salary	Annual bonus
CEO % change	0%	-10%
Employee % change	+8.2%	-13.2%

Benefits are provided on the same terms to Directors and all staff alike.

In determining director's pay, the Committee considers comparison with the remuneration of all staff. There has been no formal consultation with employees in determining policy, although a staff survey was held during the year which has been a significant factor in examining the relationship between fixed and performance related pay. Note that the above figures show the difference in average pay for employees.

2014 CHIEF EXECUTIVE'S TOTAL REMUNERATION

Outlined below is the total remuneration figure for the Chief Executive in 2014.

	2010	2011	2011	2012	2013	2014
	Peter Hargreaves	Peter Hargreaves[2]	Ian Gorham[3]	Ian Gorham	Ian Gorham	Ian Gorham
Total Remuneration (£)	405,917	85,123	1,034,167	1,640,895	6,751,557	10,608,359
Annual Bonus as a percentage of maximum	- (Nil)[1]	- (£73,333)[1]	- (£666,667)[1]	- (£1,250,000)[1]	- (£1,500,000)[1]	60% (£1,350,000)
Shares vesting[4] as a percentage of maximum	Nil	Nil	Nil	Nil	100%	100%

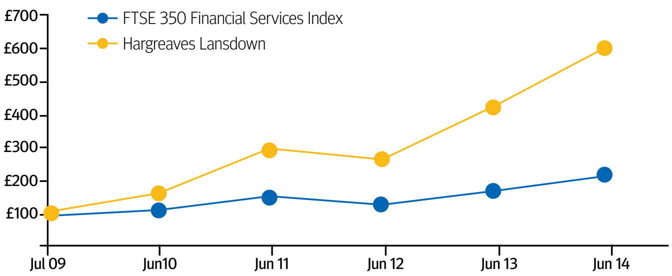
[1]Prior to 2014, there was no individual cap on annual bonus payable, other than the overall bonus pool cap as a percentage of profit before tax. Bonus figures shown are gross of any sacrifice into pension and before any compulsory deferral.
[2]Emoluments for Peter Hargreaves for 2011 are shown for the 2 months prior to date of his resignation from the role as CEO.
[3]Emoluments for Ian Gorham for 2011 are shown for the 10 months following his appointment to the Board as a director.
[4]Options vesting in 2014 and 2013 pre-dated the LTIP and therefore had no performance criteria.

TOTAL SHAREHOLDER RETURN

The graph opposite 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 five years.

The graph shows the value of £100 invested in Hargreaves Lansdown plc shares on 1 July 2009 compared to the value if £100 invested in the FTSE 350 Financial Services Sector Index for each of our financial year ends to 30 June 2014. We have chosen the FTSE 350 Financial Services Index as we believe it is the most appropriate comparator for benchmarking our cooperate performance over the five year period.

TOTAL SHAREHOLDER RETURN - HARGREAVES LANSDOWN AND FTSE 350 FINANCIAL SERVICES INDEX (£)



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.

To aide 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)
2014	142.0	209.8	51.3	32.00p
2013	111.2	195.2	50.3	29.59p
% Change	+28%	+7%	+2%	+8%

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.

PENSION

No Directors or staff participate in a defined benefit pension scheme. The Group operates its own Group Self Invested Personal Pension (the "GSIPP"). The Company contributes 4% of base salary to the scheme which applies to Executive Directors and staff. Employees wishing to make personal contributions to the GSIPP can do so via 'salary exchange' or 'bonus waiver' ensuring that they benefit from the maximum, immediate relief from income tax and National Insurance. Staff, Senior Management and Executive Directors may opt out of the scheme should they wish.

REMUNERATION COMMITTEE

The Remuneration Committee is responsible for the framework or broad policy for the fair remuneration of the Executive Directors of the Company and its subsidiaries as well as their performance management. The policy is determined with due regard to the interests of the Company and the shareholders. The Committee makes recommendations to the Board. No Director plays a part in any discussion about his or her own remuneration. The Remuneration Committee meets at least twice per year and is governed by formal Terms of Reference, which are reviewed annually.

The Remuneration Committee met four times during this financial year. The attendance by each director is set out in the table on page 33. The Committee is chaired by Chris Barling and its other members at 30 June 2014 were Michael Evans, Shirley Garrood and Dharmash Mistry. Jonathan Bloomer chaired the Committee until his retirement from the Board on 25 October 2013. 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.

The Committee's purpose is to:

- determine and recommend to the Board the remuneration policy for the Executive Directors of the Company and of the subsidiary companies;
- ensure the level and structure of remuneration is designed to attract, retain, and motivate the Executive Directors needed to run the Company and the Group; and
- monitor the level and structure of remuneration for senior management.

The performance measurement of the Directors and key members of senior management and the determination of their annual remuneration packages are undertaken by the Committee. The Committee also ensures that the remuneration relationship between the Directors and senior employees of the Company 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.

EXTERNAL ADVISORS

In finalising the Remuneration Report and Policy the Committee has been advised by Deloitte LLP. Deloitte LLP are signatories to the Code of Conduct for the provision of independent remuneration advice of the Remuneration Consultants Group. The Remuneration Committee are satisfied that the advice it has received was independent.

EXTERNAL DIRECTORSHIPS OF EXECUTIVE DIRECTORS

Peter Hargreaves is a Non-Executive Director of ITM Power plc and retains the fees related to that role. The other Executive Directors do not currently hold any external directorships.

STATEMENT OF VOTING AT THE AGM

At the AGM held in 2013, 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 Director's Report on Remuneration	365,276,341	92.80%	28,347,226	7.20%	393,623,567	527,954	394,151,521

RESPONSIBILITY

The Board remains ultimately accountable for executive remuneration but has delegated this responsibility to the Remuneration Committee. The Committee's full terms of reference are available on the Company's website. In determining the Directors' remuneration and the remuneration structure for the current financial year, the Committee consulted Peter Hargreaves and Ian Gorham about its proposals, although no Director was involved in discussions regarding their own remuneration.

APPROVAL

The Director's Remuneration Report including Policy, Annual Report and Chairman's Statement have been approved by the Board of Directors and signed on its behalf.

Christopher D. Barling – Chairman of the Remuneration Committee
16 September 2014

Directors' report – other information

THE STRATEGIC REPORT AND 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 2014. Accompanying this Directors' Report are the Strategic Report, Corporate Governance Report, Audit Committee Report and Directors' Remuneration Report. These reports form part of the Annual Report.

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 22 of the Strategic Report.

CAUTIONARY STATEMENT

The review of the business and its Strategic Priorities in the Annual Report 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. The Directors, in preparing this Strategic Report, have complied with s417 of the Companies Act 2006.

RESULTS AND DIVIDENDS

The results of the Group are set out in detail on page 58. The Company paid a final dividend and an interim dividend during the period, as detailed in note 10 to the financial statements. A second interim (final) dividend of 15.39 pence per ordinary share and a special dividend of 9.61 pence per ordinary share were declared after the balance sheet date and will be payable on 26 September 2014 to shareholders on the register at close of business on 12 September 2014.

RISK MANAGEMENT

Details of the Group's policy on risk management has been made in note 28 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.

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 2014 is shown in note 22.
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 s561 of the Companies Act.

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 s146 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

The directors who held office during the year and at 30 June 2014 had the following interests (including beneficial interests) in the shares of the Company. These interests are exclusive of any interests under share options or awards, details of which are set out in the Directors' Remuneration Report.

	Number and % of Ordinary Shares at 30 June 2014	Number and % of Ordinary Shares at 30 June 2013
Non-Executive Directors		
J Bloomer [1]	-	15,625 (<0.01%)
C Barling	-	-
M Evans	8,125 (<0.01%)	15,625 (<0.01%)
D Mistry	5,308 (<0.01%)	5,308 (<0.01%)
S Robertson	9,890 (<0.01%)	16,914 (<0.01%)
S Garrood [2]	-	n/a
Executive Directors		
I Gorham	332,628 (0.07%)	282,628 (0.06%)
P Hargreaves	152,639,678 (32.18%)	152,717,606 (32.20%)
T Taylor	763,369 (0.16%)	745,641 (0.16%)
Total	153,758,998 (32.42%)	153,799,347 (32.43%)

[1] J Bloomer was no longer a Non-Executive Director at 30 June 2014 and so his shareholding for the purposes of 'Directors Interests' is shown as nil.
[2] S Garrood was appointed a Non-Executive Director on 25 October 2013.

Since year end, Tracey Taylor has sold a total of 103,369 shares, and Dharmash Mistry has sold 5,308. There have been no other changes to the directors' interests in the shares of the Company since the year-end.

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 except in respect of the rental of the office premises at Kendal House as disclosed in note 27 to the financial statements.

As is required by the FCA's Listing Rules, the Company has entered into a relationship agreement with its controlling shareholder, Peter Hargreaves. The agreement also contains the right for the controlling shareholder to appoint a representative director as a non-independent Non-Executive Director, subject to Mr Hargreaves not remaining in office as a director himself. The terms of the agreement will be taken to the shareholders for a vote at the AGM.

SUBSTANTIAL SHAREHOLDINGS

As at the date of this report, the Company has not been notified of any changes in shareholdings amounting to more than 3% of the issued share capital of the Company, other than the directors' interests which are set out in the table above and the following shareholdings:

Interested Party	Date of notification	Number and % of Ordinary shares
Stephen Lansdown	25 March 2014	75,500,000 (15.92%)

DIRECTORS' INDEMNITIES

As permitted by the 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 £20 million in respect of itself and its Directors against liability which may be incurred acting as directors and officers and this remains in force at the date of this report.

MODEL CODE

The Company has its own internal dealing rules which extend the FCA Listing Rules Model Code provisions to all employees.

AMENDMENT TO THE ARTICLES OF ASSOCIATION OF THE COMPANY

The Articles of Association restrict the aggregate amount payable to Non-Executive Directors and was previously set when fewer Directors were employed. Following the appointment of additional Directors, the aggregate fees payable exceeded the amounts permitted by the Articles of Association. A resolution will be taken to the Annual General Meeting to increase the limits payable.

ANNUAL GENERAL MEETING

At the Annual General Meeting on 24 October 2014, 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 2013 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 percent of the Company's issued ordinary share capital at 10th September 2014. The directors do not have any present intention of exercising 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 24 October 2014 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 percent of the Company's total share capital in issue as at 10th September 2014.

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 percent of the issued share capital as at 10th September 2014).

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 Annual General Meeting.

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. Amendment to Clause 96 of the Company's Articles of Association to increase the remuneration limits payable to Non-Executive Directors from a cumulative of £300,000 to a cumulative of £1,500,000, and ratification of the decision of the Company to pay fees to Non-Executive Directors in excess of the aggregate limit set out in the Articles for the years ended 30th June 2013 and 2014.

5. Amendment to the 2010 Save As You Earn Scheme: to shorten the eligibility for all employees from two years' service to one years' service at the invitation date.

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

GOING CONCERN

The Directors have assessed, in the light of current and anticipated economic conditions, the Group's ability to continue as a going concern. The principal risks that the Group is challenged with have been set out on page 22 along with how the Directors mitigate these risks in the current economic climate. The Group's business activities, financial position, cash flows, liquidity position, together with the factors likely to affect its future development, performance and position are set out in the Business Review. In addition, note 28 to the Financial Statements includes the Group's policy on capital management, its exposure to financial risks and its policies and processes to manage those risks.

The Group maintains ongoing forecasts that indicate profitability in 2014/15 and beyond. Stress test scenarios are undertaken, the outcomes of which show that the Group has adequate capital resources for the foreseeable future even in extreme adverse economic conditions. The Group's business is highly cash generative with a low working capital requirement; indeed, the forecast cash flows show that the Group is expected to remain highly liquid in the forthcoming financial year.

After reviewing the Group's financial forecasts including an assessment of regulatory and working capital, the Directors are confident that the Company and the Group have adequate financial resources available to continue in operational existence for the foreseeable future. The going concern basis has continued to be adopted in the preparation of the financial statements.

DISCLOSURE OF INFORMATION TO AUDITOR

Each of the persons who is a director at the date of approval of this annual report 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 s418 of the Companies Act 2006.

By order of the Board

Judith Matthews
Company Secretary
16 September 2014

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group 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 the Company and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group 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. They are also responsible for safeguarding the assets of the Company and the Group 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 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 Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess a company's performance, business model and strategy. When arriving at this position the Board was assisted by a number of processes including the following:

- the Annual Report is drafted by appropriate senior management with overall co-ordination by the Chief Financial Officer;
- an extensive verification process is undertaken to ensure factual accuracy; and
- a draft is reviewed by the Audit Committee prior to consideration by the Board.

Each of the directors, whose names and functions are listed in Governance section of the annual report confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the directors' report contained in the Governance section of the annual report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

By order of the Board

Ian Gorham
Chief Executive
16 September 2014

Tracey Taylor
Chief Financial Officer
16 September 2014

Independent auditors' report to the members of Hargreaves Lansdown Plc

Report on the financial statements

OUR OPINION

In our opinion:

- the financial statements, defined below, give a true and fair view of the state of the Group's and of the Company's affairs as at 30 June 2014 and of the Group's profit and the Group's and the Company's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements 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.

This opinion is to be read in the context of what we say in the remainder of this report.

WHAT WE HAVE AUDITED

The Group financial statements and Company financial statements (the "financial statements"), which are prepared by Hargreaves Lansdown plc, comprise:

- the Consolidated and Company Balance Sheets as at 30 June 2014;
- the Consolidated Income Statement and Consolidated and Company Statement of Comprehensive Income for the year then ended;
- the Consolidated and Company Statement of Cash Flows for the year then ended;
- the Consolidated and Company Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

WHAT AN AUDIT OF FINANCIAL STATEMENTS INVOLVES

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's and the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Report and Financial Statements (the "Annual Report") to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OVERVIEW OF OUR AUDIT APPROACH

Materiality

We set certain thresholds for materiality. These helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the Group financial statements as a whole to be £10.5 million. This represents approximately 5% of profit before tax, which is considered to be an appropriate benchmark for a profit-oriented entity.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £500,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Overview of the scope of the audit

The Group financial statements are a consolidation of 17 legal entities, comprising the four core legal entities representing the asset management, stockbroking, fund management and advisory businesses, and a further 13 legal entities comprising the Group's holding company, nominee company, dormant subsidiaries, and trust and trustee companies.

In establishing the overall approach to the group audit, we determined the type of work that needed to be performed at the legal entities to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole.

We determined that the four core legal entities required an audit of their complete financial information due to their size and risk characteristics. Specific audit procedures on certain account balances and transactions were also performed in relation to other legal entities to ensure that we obtained appropriate coverage across all account balances. This work, together with additional procedures performed at the group level, gave us the evidence we needed for our opinion on the financial statements as a whole.

Areas of particular audit focus

In preparing the financial statements, the directors made a number of subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We primarily focused our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

In our audit, we tested and examined information, using sampling and other auditing techniques, to the extent we considered necessary to provide a reasonable basis for us to draw conclusions. We obtained audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

We considered the following areas to be those that required particular focus in the current year. This is not a complete list of all risks or areas of focus identified by our audit. We discussed these areas of focus with the Audit Committee. Their report on those matters that they considered to be significant issues in relation to the financial statements is set out on page 42.

Area of focus	How the scope of our audit addressed the area of focus
Fraud in revenue recognition ISAs (UK & Ireland) presume there is a risk of fraud in revenue recognition because of the pressure management may feel to achieve planned results. We assessed that this risk was focused on the accuracy of the four most significant revenue streams (renewal income, management fees, platform fees and commission on securities transactions). We identified this as an area of focus due to the high volume low value nature of transactions, each of which is reliant upon the correct charging structures and calculations within the system.	We understood and evaluated the controls surrounding revenue recognition including the IT control environment. We used data auditing techniques to test the revenue recognised in respect of the four revenue streams. These procedures used transactional and balance data from the underlying pool of clients' assets to independently recalculate these revenue streams using rates agreed with external fund groups and Hargreaves Lansdown's published fee structures. In addition we tested a sample of the rates used back to supporting contracts, investment prices to an independent source, and holdings to external confirmations.
Risk of management override of internal controls ISAs (UK & Ireland) require that we consider this.	We assessed the overall control environment of the Group, including the arrangements for staff to escalate concerns, and interviewed senior management and the Group's internal audit function. We examined the significant accounting estimates and judgements relevant to the financial statements, such as the valuation of share based payments, for evidence of bias by the directors that may represent a risk of material misstatement due to fraud. We also tested journal entries made to identify unusual or irregular items.
IT Control Environment We focused on the IT control environment as the Group is heavily reliant upon the effective and continual operation of its IT platform which has been developed in-house. The IT platform is key to its revenue generation and is also relied upon for many aspects of the financial reporting process. In-house development gives rise to a greater risk of unauthorised access or alteration to the system.	We understood and assessed the overall IT control environment and the controls in place which included controls over access to systems and data, as well as system changes. We tailored our audit approach based on the financial significance of the system and whether there were automated procedures supported by that system. The procedures performed included testing the operating effectiveness of controls over appropriate access rights and validating that only appropriate users had the ability to create, modify or delete user accounts for the relevant in-scope applications. In addition, we tested the operating effectiveness of controls around system development and program changes to establish that changes to the system were appropriately authorised and also developed and implemented properly.

GOING CONCERN

Under the Listing Rules we are required to review the directors' statement, set out on page 57, in relation to going concern. We have nothing to report having performed our review.

As noted in the directors' statement, the directors have concluded that it is appropriate to prepare the financial statements using the going concern basis of accounting. The going concern basis presumes that the Group and Company have adequate resources to remain in operation, and that the directors intend them to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's and Company's ability to continue as a going concern.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements;
- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Corporate Governance Statement set out on pages 32 to 40 with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements.

OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Corporate governance statement

Under the Companies Act 2006 we are required to report to you if, in our opinion, a corporate governance statement has not been prepared by the Company. We have no exceptions to report arising from this responsibility.

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the Company's compliance with nine provisions of the UK Corporate Governance Code ("the Code"). We have nothing to report having performed our review.

On page 58 of the Annual Report, as required by the Code Provision C.1.1, the directors state that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's and Company's performance, business model and strategy. On page 37, as required by C.3.8 of the Code, the Audit Committee has set out the significant issues that it considered in relation to the financial statements, and how they were addressed. Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

- the statement given by the directors is materially inconsistent with our knowledge of the Group and Company acquired in the course of performing our audit; or
- the section of the Annual Report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We have no exceptions to report arising from this responsibility.

Other information in the Annual Report

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group and Company acquired in the course of performing our audit; or
- is otherwise misleading.

We have no exceptions to report arising from this responsibility.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 58, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Craig Gentle (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
16 September 2014

(a) The maintenance and integrity of the Hargreaves Lansdown plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated Income Statement

	Note	Year ended 30 June 2014 £'000	Year ended 30 June 2013[1] £'000
Revenue	4	**358,393**	292,403
Commission payable		**(66,526)**	(23,205)
Staff costs	7	**(51,280)**	(50,265)
Other operating costs		**(31,734)**	(27,005)
FSCS costs[2]		**(832)**	532
Operating profit		**208,021**	192,460
Investment revenue	8	**1,768**	2,879
Other losses		**(3)**	(155)
Profit before tax		**209,786**	195,184
Tax	9	**(47,052)**	(46,195)
Profit for the financial year	6	**162,734**	148,989
Attributable to:			
Owners of the parent		**162,091**	148,391
Non-controlling interest		**643**	598
		162,734	148,989
Earnings per share			
Basic earnings per share (pence)	11	**34.5**	31.7
Diluted earnings per share (pence)	11	**34.2**	31.4

The results relate entirely to continuing operations.

1. There has been a change in accounting policy which has changed the presentation of operating costs (see Note 1 to the financial statements).
2. FSCS costs are those relating to the running of and the levies issued under the Financial Services Compensation Scheme. For the year ended 30 June 2013 a refund was received relating to payments made in earlier years.

Consolidated Statement of Comprehensive Income

	Year ended 30 June 2014 £'000	Year ended 30 June 2013 £'000
Profit for the financial year	**162,734**	148,989
Other comprehensive income for the period:-		
Items that may be classified subsequently to profit or loss:		
(Decrease)/Increase in fair value of available-for-sale investments	**-**	(160)
Total comprehensive income for the financial year	**162,734**	148,829
Attributable to:-		
Owners of the parent	**162,091**	148,231
Non-controlling interest	**643**	598
	162,734	148,829

Consolidated Statement of Changes in Equity

	Attributable to the owners of the parent									
	Share capital £'000	Share premium account £'000	Investment revaluation reserve £'000	Capital redemption reserve £'000	Shares held by EBT reserve £'000	EBT reserve £'000	Retained earnings £'000	**Total £'000**	Non-controlling interest £'000	**Total equity £'000**
At 1 July 2012	1,897	8	160	12	(14,029)	10,014	158,932	**156,994**	425	**157,419**
Profit for the period	-	-	-	-	-	-	148,391	**148,391**	598	**148,989**
Other comprehensive income:-										
Net fair value gains on available-for-sale assets	-	-	(160)	-	-	-	-	**(160)**	-	**(160)**
Total comprehensive income	-	-	(160)	-	-	-	-	**(160)**	-	**(160)**
Employee Benefit Trust:-										
Shares sold in the year	-	-	-	-	4,343	-	-	**4,343**	-	**4,343**
Shares acquired in the year	-	-	-	-	(11,771)	-	-	**(11,771)**	-	**(11,771)**
EBT share sale net of tax	-	-	-	-	-	3,634	-	**3,634**	-	**3,634**
Employee share option scheme:-										
Share-based payments expense	-	-	-	-	-	-	2,386	**2,386**	-	**2,386**
Current tax effect of share-based payments	-	-	-	-	-	-	482	**482**	-	**482**
Deferred tax effect of share-based payments	-	-	-	-	-	-	3,546	**3,546**	-	**3,546**
Dividend paid	-	-	-	-	-	-	(111,223)	**(111,223)**	(500)	**(111,723)**
At 30 June 2013	1,897	8	-	12	(21,457)	13,648	202,514	**196,622**	523	**197,145**
Profit for the period	-	-	-	-	-	-	162,091	**162,091**	643	**162,734**
Other comprehensive income:-										
Net fair value gains on available-for-sale assets	-	-	-	-	-	-	-	**-**	-	**-**
Total comprehensive income	-	-	-	-	-	-	-	**-**	-	**-**
Employee Benefit Trust:-										
Shares sold in the year	-	-	-	-	10,123	-	-	**10,123**	-	**10,123**
Shares acquired in the year	-	-	-	-	(4,887)	-	-	**(4,887)**	-	**(4,887)**
EBT share sale net of tax	-	-	-	-	-	(103)	-	**(103)**	-	**(103)**
Employee share option scheme:-										
Share-based payments expense	-	-	-	-	-	-	2,016	**2,016**	-	**2,016**
Current tax effect of share-based payments	-	-	-	-	-	-	3,848	**3,848**	-	**3,848**
Deferred tax effect of share-based payments	-	-	-	-	-	-	56	**56**	-	**56**
Dividend paid	-	-	-	-	-	-	(142,013)	**(142,013)**	(575)	**(142,588)**
At 30 June 2014	1,897	8	-	12	(16,221)	13,545	228,512	**227,753**	591	**228,344**

The share premium account represents the difference between the issue price and the nominal value of shares issued.

The investment revaluation reserve represents the change in fair value of available-for-sale investments held by the Group, net of deferred tax.

The capital redemption reserve relates to the repurchase and cancellation of the Company's own shares.

The Shares held by the Employee Benefit Trust ("the EBT") reserve represents the cost of shares in Hargreaves Lansdown plc purchased in the market and held by the Hargreaves Lansdown plc Employee Benefit Trust 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 25% shareholding in Library Information Services Limited, a subsidiary of the Company.

Consolidated Balance Sheet

	Note	At 30 June 2014 £'000	At 30 June 2013[1] £'000
ASSETS			
Non-current assets			
Goodwill	12	**1,333**	1,333
Other intangible assets	13	**2,828**	686
Property, plant and equipment	14	**12,679**	9,737
Deferred tax assets	19	**6,750**	6,988
		23,590	18,744
Current assets			
Trade and other receivables	17	**303,863**	284,215
Cash and cash equivalents	18	**201,238**	177,754
Investments	16	**874**	613
Current tax assets		**29**	26
		506,004	462,608
Total assets		**529,594**	481,352
LIABILITIES			
Current liabilities			
Trade and other payables	20	**280,922**	259,945
Provisions	21	**32**	127
Current tax liabilities		**20,049**	23,858
		301,003	283,930
Net current assets		**205,001**	178,678
Non-current liabilities			
Provisions	21	**247**	277
Total liabilities		**301,250**	284,207
Net assets		**228,344**	197,145
EQUITY			
Share capital	22	**1,897**	1,897
Share premium account		**8**	8
Investment revaluation reserve		**-**	-
Capital redemption reserve		**12**	12
Shares held by Employee Benefit Trust reserve		**(16,221)**	(21,457)
EBT reserve		**13,545**	13,648
Retained earnings		**228,512**	202,514
Total equity, attributable to the owners of the parent		**227,753**	196,622
Non-controlling interest		**591**	523
Total equity		**228,344**	197,145

Note: 1 Restated – see note 1 to the financial statements

The consolidated financial statements on pages 62 to 92 were approved by the Board of directors and authorised for issue on 16 September 2014 and were signed on its behalf by:

Ian Gorham
Chief Executive

Tracey Taylor
Chief Financial Officer

Consolidated Statement of Cash Flows

	Note	**Year ended 30 June 2014 £'000**	Year ended 30 June 2013[1] £'000
Net cash from operating activities			
Cash generated from operations	23	**213,741**	190,714
Income tax paid		**(46,720)**	(40,521)
Net cash (used in)/from operating activities		**167,021**	150,193
Investing activities			
Interest received		**1,646**	2,769
Dividends received from investments		**122**	110
Proceeds on disposal of available-for-sale investments		**-**	1,434
Purchase of plant and equipment		**(5,018)**	(5,301)
Purchase of intangible assets		**(2,569)**	(915)
Purchase of available-for-sale investments		**(262)**	(97)
Net cash (used in)/from investing activities		**(6,081)**	(2,000)
Financing activities			
Purchase of own shares in EBT		**(4,887)**	(11,771)
Proceeds on sale of own shares in EBT		**10,019**	7,978
Dividends paid to owners of the parent		**(142,013)**	(111,223)
Dividends paid to non-controlling interests		**(575)**	(500)
Net cash used in financing activities		**(137,456)**	(115,516)
Net increase in cash and cash equivalents		**23,484**	32,677
Cash and cash equivalents at beginning of year		**177,754**	145,077
Cash and cash equivalents at end of year	18	**201,238**	177,754

Note: 1 Restated – see note 1 to the financial statements

Notes to the Consolidated Financial Statements

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 Business Review.

These financial statements are presented in pounds sterling 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 the Companies Act 2006, IFRS adopted by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB (together "IFRS") as adopted by the European Union. The financial statements are prepared on a going concern basis as discussed on page 57.

During the year there has been a change in accounting policy relating to cash and the presentation of the income statement:

- Delivery versus payment exemptions from the FCA client money rules are not taken by the Group. The related cash balances are at all times held in trust as client money. Client settlement account balances were previously shown as restricted cash included within cash and cash equivalents. The accounting policy has now been changed to reclassify these balances to trade and other receivables, which better reflects the form of these balances. The impact of this change is to reduce restricted cash and cash equivalents by £21.0 million (30 June 2013: £19.8 million, 30 June 2012: £12.6 million) and increase trade and other receivables by an equal amount. The subsequent impact on the cash flow statement for the year to 30 June 2013 is that net cash from operating activities was reduced by £7.2 million and the cash and cash equivalents at the beginning of the year were decreased by £12.6 million to £145.1 million. There was no impact on profit before tax in either reporting period.

- The presentation of the income statement has been changed from the function of expense to the nature of expense format. Following the implementation of the Retail Distribution Review in March 2014 it is felt that this format provides users of the accounts with more useful information.

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 3.

In the current year, the following new and revised Standards and Interpretations have been adopted and have affected the amounts reported in these financial statements.

- Amendment to IFRS 7, 'Financial instruments: Disclosures', on asset and liability offsetting. This amendment includes new disclosures to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP. Disclosures are provided in Notes 17 and 20.

- IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. Disclosures are provided in Note 28.

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):

- Amendments to IFRS 10, 11 and 12 on transition guidance
- Amendment to IAS 32, 'Financial instruments: Presentation'
- Amendments to IAS 36, 'Impairment of assets'
- Amendment to IFRS 11, 'Joint arrangements'
- Amendment to IAS 16, 'Property, plant and equipment'
- Amendment to IAS 38, 'Intangible assets'
- Annual improvements 2012 and Annual improvements 2013
- IFRS 10, 'Consolidated financial statements'
- IFRS 11, 'Joint arrangements'
- IFRS 12, 'Disclosures of interests in other entities'
- IFRS 15, 'Revenue from contracts with customers'
- IFRS 9, 'Financial instruments'
- IAS 27, (revised 2011) 'Separate financial statements'
- IAS 28, (revised 2011) 'Associates and joint ventures'
- IFRIC 21, 'Levies'

Other than to expand certain disclosures within the financial statements, the directors do not expect that the adoption of the standards and interpretations listed above will have a material impact on the financial statements of the Group in future periods.

The financial statements have been prepared on the historical cost basis, except for the revaluation of available for sale financial assets and financial assets at fair value through profit and loss. The principal accounting policies adopted are set out below.

2. SIGNIFICANT ACCOUNTING POLICIES

Accounting policies as shown below have been consistently applied throughout the current and prior financial year.

Basis of consolidation
The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 30 June 2014. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

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 acquiree. The acquiree'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 acquiree at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

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.
Goodwill arising on acquisitions before the date of transition to IFRS on 1 July 2005 has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date. Goodwill written off to reserves under UK GAAP prior to 30 June 1997 has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

Revenue recognition
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 primarily classified as recurring, transactional or other. Recurring revenue principally comprises the revenue streams of renewal income, management fees, platform fees and interest income on client money, while transactional revenue principally comprises initial commission on stockbroking transactions. Revenue is recognised as follows:

Recurring
Renewal income is earned from fund management groups and is recognised on an accruals basis calculated according to the level of assets under the administration, or agency, of the Group primarily at each month-end. Management and platform fees are paid by clients and are recognised on an accruals basis calculated according to the level of applicable assets where fees apply at each month-end. The interest income on client money balances is the net interest margin earned by the Group and is accrued on a time basis, according to the client money balances under administration and by reference to the effective interest rate applicable.

Transactional
The Group's stockbroking and unit trust management subsidiaries earn commission on securities transactions entered into on behalf of clients. The commission earned is recorded in the accounts on the date of the transaction, as this is the date on which the service is provided to the client and the Group becomes entitled to the income.

Notes to the Consolidated Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Group also earns initial commission from third party providers on the set up of group pension schemes. Initial commissions are deemed to be earned at the policy inception date on those policies where there are only negligible ongoing services. Where ongoing services are provided, an appropriate proportion of the income is deferred over the relevant period. Where such commission is received on an indemnity basis, a provision is made for clawbacks, if any, which would be due if the policy lapses during the indemnity period.

Other

Other income principally represents the amount of fees receivable from the provision of Funds Library services, and is recognised on an accruals basis when the services are provided.

Investment revenue recognition

Interest income is accrued on a time basis by reference to the principal balance and the effective interest rate applicable. Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Commission payable, staff costs and other operating costs

Commission payable represents a percentage of renewal income paid to clients as a loyalty bonus. 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. Other operating costs represent costs arising as a result of our operations and includes depreciation and amortisation. All amounts are recognised on an accrual basis.

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 balance sheet date, 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.
- commissions received on indemnity terms where there may be a liability to repay the commissions received.

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 balance sheet date.

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.

The carrying amount of deferred tax assets is reviewed at each balance sheet date. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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.

Share-based payments

The Group has applied the requirements of IFRS 2 Share-based Payments to all grants of equity instruments after 7 November 2002 that were unvested at 1 July 2005.

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. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions. At each balance sheet date, the Group revises its estimate of the number of options expected to vest as a result of the effect of non-market based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in the income statement such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity 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. Prior to 15 May 2007 the Company's shares were not listed on a stock exchange and therefore, in the absence of a readily available market price for the shares, the share price was based on the market value agreed with HM Revenue & Customs and share price volatility was estimated as the average of the volatility applying to a comparable group of listed companies.

Any gains or losses on sale of the Company's own shares held by the Hargreaves Lansdown Employee Benefit Trust ("EBT") are credited or debited directly to the EBT reserve and are treated as undistributable profits.

Property, plant and equipment

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 its working condition for its intended use. Depreciation is charged on all plant and equipment based on the estimates of their useful economic lives and expected residual values, which are reviewed annually. 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:

Fixtures, fittings, plant and equipment:

Leasehold property tenants' fixtures, IT, office equipment and other fixtures – over 3 to 10 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 income.

Leasing

Rentals payable for assets under operating leases are charged to income 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.

Intangible assets excluding goodwill

Other intangible assets comprise 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:

Computer software: over 3 to 4 years

Computer software relates entirely to purchases and does not include any internally generated value. 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 income.

Internally generated assets

IT development costs 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. Development work has been undertaken in-house to enhance the key operating systems. Until 1 July 2012 this cost was not material and was recognised as an expense, the amounts are now more material and hence the costs are being capitalised as an intangible asset and subsequently depreciated over the estimated useful life of the system. Where such costs relate to an asset that is not yet available for use by the business, they have been separately classified as assets under construction and have not been amortised, but instead been reviewed for impairment.

Notes to the Consolidated Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of tangible and intangible assets excluding goodwill
At each balance sheet date, 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 such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Where the asset does not generate cash flows that are 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. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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.

Financial instruments
Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade receivables
Trade receivables are measured at initial recognition at fair value. Subsequently appropriate allowances for estimated irrecoverable amounts are made and recognised in profit or loss when there is objective evidence that the asset is impaired. In accordance with market practice, certain balances with clients, Stock Exchange member firms and other counterparties are included as debtors. Market receivables and payables are presented net where there is a legal right of offset.

Investments
Investments are recognised and derecognised on a trade date where a purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at cost, including transaction costs.

The Group's available-for-sale investments have been included at fair value where a fair value can be reliably calculated, with the revaluation gains and losses reflected in the investment revaluation reserve, as shown in the Consolidated Statement of Changes in Equity on page 63, until sale when the cumulative gain or loss is transferred to the income statement. If a fair value cannot be reliably calculated by reference to a quoted market price or other method of valuation, available-for-sale investments are included at cost where the directors believe that cost is not materially different to fair value, with a fair value adjustment recognised upon disposal of the investment.

Investments which 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.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

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 fair value which is equivalent to amortised cost. In accordance with market practice, certain balances with clients, Stock Exchange member firms and other counterparties are included as creditors. Market debtors and creditors are presented net where there is a legal right of offset.

3. 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. The areas where a higher degree of judgement or complexity arise, or areas where assumptions and estimates are significant to the consolidated financial statements, are minimal and discussed below.

Share-based payments
In determining the fair value of equity-settled share-based awards and the related charge to the income statement, the Group makes assumptions about the future events and market conditions. In particular, judgement must be formed as to the likely number of shares that will vest, and the fair value of each award granted. The fair value is determined using the Black-Scholes valuation model which is dependent on future estimates, including the Group's future dividend policy, the timing with which the options will be exercised and the future volatility in the price of the Group's shares. Different assumptions about these factors to those made by the Group could affect the reported value of share-based payments. Whilst this is an area of judgement in the financial statements, the value of share-based payments is not materially impacted by the selection of assumptions and consequently no sensitivity analysis has been presented. The main assumptions are provided in note 25.

4. REVENUE

Revenue represents commission receivable from financial services provided to clients, 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. An analysis of the Group's revenue is as follows:

	Year ended 30 June 2014 £'000	Year ended 30 June 2013 £'000
Revenue from services:		
Recurring income	**287,293**	233,008
Transactional income	**65,118**	53,371
Other income	**5,982**	6,024
Total revenue	**358,393**	292,403

Recurring income principally comprises renewal income, management fees, platform fees and interest income on client money. Transactional income principally comprises commission earned from stockbroking transactions. Other income principally represents the amount of fees receivable from the provision of Funds Library services. The policies adopted for the recognition of each significant revenue stream are set out in note 2 above.

As highlighted in the Business Review, following the implementation of the Retail Distribution Review ("RDR"), total revenue earned from investment funds held by clients significantly increased as a new platform fee was introduced. At the same time commission income is being received from the fund management groups on funds purchased by clients before the RDR implementation date. Where we still receive commission on these pre-RDR or "legacy funds" the vast majority is now passed back to our clients in the form of a significantly higher loyalty bonus which is shown within commission payable in the income statement.

5. SEGMENT INFORMATION

The Group is organised into three business segments, namely the Vantage division, the Discretionary division and the Third Party/Other Services division. This is based upon the Group's internal organisation and management structure and is the primary way in which the Chief Operating Decision Maker (CODM) is provided with financial information. The CODM has been identified as the Board of Executive Directors.

The 'Vantage' division represents all activities relating to our direct to private investor platform.

The 'Discretionary/Managed' division is focused on the provision of managed services such as our Portfolio Management Service (PMS) and range of Multi-Manager funds.

The 'Third Party/Other Services' division includes activities relating to the broking of third party investments and pensions, certificated share dealing and other niche services such as currency, CFDs and spread betting. In this division, clients' investments are not administered within the Group.

Notes to the Consolidated Financial Statements

5. SEGMENT INFORMATION (CONTINUED)

The 'Group' segment contains items that are shared by the Group as a whole and cannot be reasonably allocated to other operating segments.

Segment expenses are those that are directly attributable to a segment together with the relevant portion of other expenses that can reasonably be allocated to the segment. Gains or losses on the disposal of available-for-sale investments, investment income, interest payable and tax are not allocated by segment.

Segment assets and liabilities include items that are directly attributable to a segment plus an allocation on a reasonable basis of shared items. Corporate assets and liabilities are not included in business segments and are thus unallocated. At 30 June 2014 and 2013, these comprise cash and cash equivalents, short-term investments, tax-related and other assets or liabilities.

Consolidation adjustments relate to the elimination of inter-segment revenues at arm's length prices, balances and investments in group subsidiaries required on consolidation.

	Vantage £'000	Discretionary/ Managed £'000	Third Party/ Other Services £'000	Group £'000	Consolidation Adjustment £'000	**Consolidated £'000**
Year ended 30 June 2014					287,293	**233,008**
Revenue from external customers	287,219	45,103	26,071	-	-	**358,393**
Inter-segment revenue	-	4,799	-	-	(4,799)	**-**
Total segment revenue	287,219	49,902	26,071	-	(4,799)	**358,393**
Depreciation and amortisation	1,853	279	368	-	-	**2,500**
Investment revenue	-	-	-	1,768	-	**1,768**
Other losses	-	-	-	(3)	-	**(3)**
Reportable segment profit before tax	160,565	31,946	16,210	1,065	-	**209,786**
Reportable segment assets	264,894	27,631	16,720	237,673	(17,324)	**529,594**
Reportable segment liabilities	(243,230)	(13,200)	(13,249)	(46,744)	15,173	**(301,250)**
Net segment assets	21,664	14,431	3,471	190,929	(2,151)	**228,344**
Year ended 30 June 2013						
Revenue from external customers	227,204	34,140	31,059	-	-	**292,403**
Inter-segment revenue	-	4,889	-	-	(4,889)	**-**
Total segment revenue	227,204	39,029	31,059	-	(4,889)	**292,403**
Depreciation and amortisation	1,243	183	289	-	-	**1,715**
Investment revenue	-	-	-	2,879	-	**2,879**
Other losses	-	-	-	(155)	-	**(155)**
Reportable segment profit before tax	150,230	23,154	19,700	2,100	-	**195,184**
Reportable segment assets	257,234	20,124	18,072	203,747	(17,825)	**481,352**
Reportable segment liabilities	(219,475)	(17,473)	(14,360)	(48,572)	15,673	**(284,207)**
Net segment assets	37,759	2,651	3,712	155,175	(2,152)	**197,145**

Information about products/services
The Group's operating segments are business units that provide different products and services. The breakdown of revenue from external customers for each type of service is therefore the same as the segmental analysis above.

Information about geographical area
All business activities are located within the UK.

Information about major customers
The Group does not rely on any individual customer.

6. OPERATING PROFIT FOR THE FINANCIAL YEAR

Operating profit for the financial year has been arrived at after charging:

	Year ended 30 June 2014 £'000	Year ended 30 June 2013 £'000
Depreciation of owned plant and equipment	**2,074**	1,352
Amortisation of other intangible assets	**426**	363
Operating lease rentals payable – property	**2,365**	2,412
Office running costs	**4,244**	3,787
Marketing and distribution	**11,253**	10,995

The analysis of auditor remuneration is as follows:

	Year ended 30 June 2014 £'000	Year ended 30 June 2013 £'000
Audit fees:		
Fees payable to the Company's auditor for the statutory audit of the company's annual financial statements	**5**	5
Fees payable to the Company's auditor and its associates for the audits of the Company's associates	**89**	88
Audit related assurance services	**24**	23
Total fees:	**118**	116

Fees for the year-ended 30 June 2014 were payable to PricewaterhouseCoopers LLP and for the year-ended 30 June 2013 were payable to Deloitte LLP. The auditors have not received any remuneration for non-audit services of any kind.

7. STAFF COSTS

The average monthly number of employees of the Group (including executive directors) was:

	Year ended 30 June 2014 No.	Year ended 30 June 2013 No.
Operating and support functions	**564**	524
Administrative functions	**230**	207
	794	731
Their aggregate remuneration comprised:	**£'000**	£'000
Wages and salaries	**38,528**	38,195
Social security costs	**6,666**	6,304
Share-based payment expenses	**2,016**	2,386
Other pension costs	**4,070**	3,380
	51,280	50,265

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

Notes to the Consolidated Financial Statements

8. INVESTMENT REVENUE

	Year ended 30 June 2014 £'000	Year ended 30 June 2013 £'000
Interest on bank deposits	**1,646**	2,769
Dividends from equity investment	**122**	110
	1,768	2,879

9. TAX

	Year ended 30 June 2014 £'000	Year ended 30 June 2013 £'000
Current tax: on profits for the year	**46,723**	46,804
Current tax: adjustments in respect of prior years	**35**	(106)
Deferred tax (Note 19):	**235**	(502)
Deferred tax: adjustments in respect of prior years	**59**	(1)
	47,052	46,195

Corporation tax is calculated at 22.5% of the estimated assessable profit for the year to 30 June 2014 (2013: 23.75%).
In addition to the amount charged to the income statement, certain tax amounts have been charged or credited directly to equity as follows:

	Year ended 30 June 2014 £'000	Year ended 30 June 2013 £'000
Deferred tax relating to share-based payments	**(56)**	(3,546)
Current tax relating to share-based payments	**(3,848)**	(482)
	(3,904)	(4,028)

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. The standard UK corporation tax rate was reduced to 21% (from 23%) on 1 April 2014. Deferred tax has been recognised at 20%, being the rate substantially enacted at the balance sheet date. 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 2014.

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 2013 received Royal Assent on 17 July 2013 and will reduce the standard rate of UK corporation tax to 20% from 1 April 2015.

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

	Year ended 30 June 2014 £'000	Year ended 30 June 2013 £'000
Profit before tax from continuing operations	**209,786**	195,184
Theoretical tax charge	**47,205**	46,358
- at the UK corporation tax rate of	**22.5%**	23.75%
Items (allowable)/not allowable for tax	**(396)**	(148)
Effect of adjustments relating to prior year	**94**	(107)
Impact of the change in tax rate	**149**	92
Tax expense for the year	**47,052**	46,195
Effective tax rate	**22.4%**	23.7%

10. DIVIDENDS

Amounts recognised as distributions to equity holders in the period:

	Year ended 30 June 2014 £'000	Year ended 30 June 2013 £'000
2013 Second interim dividend of 14.38p (2012: 10.65p) per share	**67,355**	49,756
2013 Special dividend of 8.91p (2012: 6.84p) per share	**41,734**	31,956
2014 First interim dividend of 7.0p (2013: 6.3p) per share	**32,924**	29,511
Total dividends paid during the year	**142,013**	111,223

After the balance sheet date, the directors declared a second interim (final) ordinary dividend of 15.39 pence per share and a special dividend of 9.61 pence per share payable on 26 September 2014 to shareholders on the register on 12 September 2014. 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 2014 financial statements as follows:

	£'000
2014 Second interim dividend of 15.39p (2013: 14.38p) per share	72,435
2014 Special dividend of 9.61p (2013: 8.91p) per share	45,240

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 2014 No. of shares	Year ended 30 June 2013 No. of shares
Number of shares held by the Hargreaves Lansdown Employee Benefit Trust	**3,547,124**	5,923,930
Representing % of called-up share capital	**0.75%**	1.25%

Notes to the Consolidated Financial Statements

11. 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 period, including ordinary shares held in the 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 179,414 at 30 June 2014 (2013: 320,210).

	Year ended 30 June 2014 £'000	Year ended 30 June 2013 £'000
Earnings (all from continuing operations):		
Earnings for the purposes of basic & diluted EPS - net profit attributable to equity holders of parent company	**162,091**	148,391
Number of shares:		
Weighted average number of ordinary shares for the purposes of diluted EPS	**474,365,495**	471,923,756
Weighted average number of shares held by HL EBT which have not vested unconditionally with employees	**(4,109,730)**	(3,981,223)
Weighted average number of ordinary shares for the purposes of basic EPS	**470,255,765**	467,942,533
Earnings per share:	**Pence**	Pence
Basic EPS	**34.5**	31.7
Diluted EPS	**34.2**	31.4

12. GOODWILL

	Year ended 30 June 2014 £'000	Year ended 30 June 2013 £'000
Cost - at beginning and end of year	**1,450**	1,450
Accumulated impairment losses		
At beginning and end of year	**117**	117
Carrying amount - at end of year	**1,333**	1,333

The net carrying value of goodwill relates entirely to the acquisition of Hargreaves Lansdown Pensions Direct Limited (HLPD). During the prior year as part of a restructuring exercise, HLPD changed its name to Hargreaves Lansdown Advisory Services Limited (HLAS). From 1 January 2013 advisory services previously provided by Hargreaves Lansdown Asset Management Limited (HLAM), including those in respect of the Portfolio Management Service, are now provided by HLAS. Certain administration services previously provided by HLAS are now provided by HLAM. The overall impact to the group is nil but the impact on HLAS was that it had less revenue and profits than previously.

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. The Group has prepared financial forecasts for the business for the period to June 2017 which show that the Group as a whole will remain highly profitable and cash generative. Within the forecast, the revenue streams which belong to HLAS, although lower than before the restructuring, are forecast to grow with the company continuing to be profitable. HLAS is profit-making (profit before tax for year ended 30 June 2014 was £13.8 million) and has a net assets position as at 30 June 2014 of £24.1 million, therefore the directors see no reason to impair the value of goodwill and continue to hold it at its carrying amount.

13. OTHER INTANGIBLE ASSETS

	Assets under construction £'000	Computer software £'000	Total £'000
Cost			
At 1 July 2012	-	2,776	2,776
Additions	249	666	915
Other movements	-	(476)	(476)
At 30 June 2013	249	2,966	3,215
Additions	1,045	1,523	2,568
At 30 June 2014	1,294	4,489	5,783
Accumulated amortisation			
At 1 July 2012	-	2,608	2,608
Charge	-	363	363
Other movements	-	(442)	(442)
At 30 June 2013	-	2,529	2,529
Charge	-	426	426
At 30 June 2014	-	2,955	2,955
Carrying amount			
At 30 June 2014	1,294	1,534	2,828
At 30 June 2013	249	437	686
At 30 June 2012	-	168	168

The amortisation charge above is included in other operating costs in the income statement.
Other movements relate to assets that are no longer in use by the Group.

Notes to the Consolidated Financial Statements

14. PROPERTY, PLANT AND EQUIPMENT

Fixtures, fittings, plant and equipment:

	Group £'000
Cost	
At 1 July 2012	15,017
Additions	5,301
Other movements	(1,197)
At 30 June 2013	19,121
Additions	5,018
Other movements	(5)
At 30 June 2014	24,134
Accumulated depreciation	
At 1 July 2012	9,225
Charge	1,352
Other movements	(1,193)
At 30 June 2013	9,384
Charge	2,074
Other movements	(3)
At 30 June 2014	11,455
Carrying amount	
At 30 June 2014	12,679
At 30 June 2013	9,737
At 30 June 2012	5,792

Other movements relate to assets that are no longer in use.

15. SUBSIDIARIES

A list of the investments in subsidiaries included in the consolidated results of Hargreaves Lansdown Plc is shown in note 4 to the parent company financial statements.

16. INVESTMENTS

	Year ended 30 June 2014 £'000	Year ended 30 June 2013 £'000
At beginning of year	**613**	2,228
Sales	**-**	(1,712)
Purchases	**261**	97
Net increase in the value of available-for-sale investments	**-**	-
At end of year	**874**	613
Comprising:		
Current asset investment - UK listed securities valued at quoted market price	**610**	349
Current asset investment - Unlisted securities valued at cost	**264**	264

£610,000 (2013: £349,000) of investments are classified as held at fair value through profit and loss and £264,000 (2013: £264,000) are classified as available-for-sale. Available-for-sale investments have been included at fair value where a fair value can be reliably calculated, with the revaluation gains and losses reflected in the investment revaluation reserve as shown in the Consolidated Statement of Changes in Equity, until sale when the cumulative gain or loss is transferred to the income statement. If a fair value cannot be reliably calculated by reference to a quoted market price or other method of valuation, available-for-sale investments are included at cost where the directors believe that this is not significantly different to fair value, with a fair value adjustment recognised upon disposal of the investment.

17. TRADE AND OTHER RECEIVABLES

	Year ended 30 June 2014 £'000	Year ended 30 June 2013* £'000
Financial assets:		
Trade receivables*	**262,257**	249,697
Other receivables	**6,039**	962
	268,296	250,659
Non-financial assets:		
Prepayments and accrued income	**35,567**	33,556
	303,863	284,215

*The prior period comparatives have been restated as a result of a change in accounting policy. The impact of this is disclosed in Note 1.

Trade and other receivables are measured at initial recognition at fair value. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. In accordance with market practice and IFRS, certain balances with clients, Stock Exchange member firms and other counterparties totalling £242.9 million (2013: £231.2 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 £314.5 million and the gross amount offset in the balance sheet with trade payables is £71.6 million.

Notes to the Consolidated Financial Statements

18. CASH AND CASH EQUIVALENTS

	Year ended 30 June 2014 £'000	Year ended 30 June 2013* £'000
Cash and cash equivalents		
Restricted cash – balances held by EBT	**4,471**	37
Group cash and cash equivalent balances	**196,767**	177,717
	201,238	177,754

*The prior period comparatives have been restated as a result of a change in accounting policy. The impact of this is disclosed in Note 1.

Cash and cash equivalents comprise cash and institutional cash funds with near-instant access held by the Group.

At 30 June 2014 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 £4,109 million (2013: £3,581 million). The client retains the beneficial interest in these deposits and accordingly they are not included in the balance sheet of the Group.

19. DEFERRED TAX

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 20%, being the rate in force at the balance sheet date.

	Accelerated tax depreciation £'000	Future relief on capital losses £'000	Share-based payments £'000	Other deductible temporary differences £'000	**Total £'000**
At 1 July 2012	650	22	1,162	1,105	**2,939**
(Charge)/credit to income	(203)	(22)	465	263	**503**
Credit to equity	-	-	3,546	-	**3,546**
At 30 June 2013	447	-	5,173	1,368	**6,988**
(Charge)/credit to income	(302)	-	11	(3)	**(294)**
Credit to equity	-	-	56	-	**56**
At 30 June 2014	145	-	5,240	1,365	**6,750**

20. TRADE AND OTHER PAYABLES

	Year ended 30 June 2014 £'000	Year ended 30 June 2013 £'000
Financial liabilities:		
Trade payables	**242,153**	231,192
Social security and other taxes	**11,488**	10,063
Other payables	**16,385**	7,311
	270,026	248,566
Non-financial liabilities:		
Accruals and deferred income	**10,896**	11,379
	280,922	259,945

In accordance with market practice and IFRS, certain balances with clients, Stock Exchange member firms and other counterparties totalling £241.1 million (2013: £230.0 million) are included in trade payables. As stated in note 17 above, where we have a legal right of offset and the ability and intention to settle net, trade payable balances have been presented net. The gross amount of trade payables is £312.7 million and the gross amount offset in the balance sheet with trade receivables is £71.6 million.

Other payables principally comprise amounts owed to clients as a loyalty bonus and to staff as a bonus. Accruals and deferred income principally comprise amounts outstanding for trade purchases and revenue received but not yet earned on group pension schemes where an ongoing service is still being provided.

21. PROVISIONS

	Commission on indemnity terms £'000
Included within current liabilities:	
At 1 July 2012	**-**
Charged during the year	**127**
At 30 June 2013	**127**
Utilised during the year	**(95)**
At 30 June 2014	**32**

The indemnity provision represents management's best estimate of the Group's liability to repay commission received on indemnity terms. The provision is based on past experience and the volume of indemnified commission.

	Property costs £'000
Included within non-current liabilities:	
At 1 July 2012	**277**
Charged during the year	**-**
At 30 June 2013	**277**
Utilised during the year	**(30)**
At 30 June 2014	**247**

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. These property provisions are not expected to be fully utilised until 2026.

Notes to the Consolidated Financial Statements

22. SHARE CAPITAL

	Year ended 30 June 2014 £'000	Year ended 30 June 2013 £'000
Authorised:		
525,000,000 ordinary shares of 0.4p each	**2,100**	2,100
Issued and fully paid:		
Ordinary shares of 0.4p each	**1,897**	1,897
	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.

23. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 30 June 2014 £'000	Year ended 30 June 2013 £'000
Profit for the year after tax	**162,734**	148,989
Adjustments for:		
Investment revenues	**(1,768)**	(2,879)
Income tax expense	**47,052**	46,195
Depreciation of plant and equipment	**2,074**	1,352
Amortisation of intangible assets	**426**	363
Loss on disposal	**3**	155
Share-based payment expense	**2,016**	2,386
(Decrease)/increase in provisions	**(125)**	127
Operating cash flows before movements in working capital	**212,412**	196,688
(Increase)/decrease in receivables*	**(19,648)**	(128,967)
Increase/(decrease) in payables	**20,977**	122,993
Cash generated from operations*	**213,741**	190,714

*The prior period comparatives have been restated as a result of a change in accounting policy. The impact of this is disclosed in Note 1.

24. COMMITMENTS

Operating lease commitments – as lessee

	Year ended 30 June 2014 £'000	Year ended 30 June 2013 £'000
Minimum lease payments under operating lease recognised as an expense in the year	**2,365**	2,412

At the balance sheet date, 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	**2,913**	2,896
In the second to fifth years inclusive	**11,313**	11,349
After five years	**20,309**	22,976
Total minimum lease payments	**34,535**	37,221

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 balance sheet date, the Group had capital commitments of £749,000 (2013: £1,385,000) for IT equipment.

25. SHARE-BASED PAYMENTS

Equity-settled share option scheme
The Group seeks to facilitate significant equity ownership by employees, principally through schemes which encourage and assist the purchase of the Company's shares.

The Group operates four share option and share award plans: the Employee Savings-Related Share Option Scheme ("SAYE"), the Hargreaves Lansdown plc Share Incentive Plan ("SIP"), the Hargreaves Lansdown Company Share Option Scheme (the "Executive Option Scheme") and the Hargreaves Lansdown Joint Share Ownership Plan ("JSOP").

Awards granted under the Employee SAYE scheme vest over five years. Awards granted under the Employee Share Incentive Plan vest over a three-year period. Awards granted under the Executive Option Scheme vest between nil and 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, although options are forfeited (in most circumstances) if the employee leaves the Group before the options vest.

Interests in shares purchased under the JSOP were granted at under market value, with tax and National Insurance being paid on the difference. The shares must be held for a minimum of three years under the terms of the Deeds and are realisable in only very limited circumstances before that date. There are no performance conditions attached to the shares.

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

Notes to the Consolidated Financial Statements

25. SHARE-BASED PAYMENTS (CONTINUED)

	Year ended 30 June 2014		Year ended 30 June 2013	
	Share options **No.**	Weighted average exercise price **Pence**	Share options **No.**	Weighted average exercise price **Pence**
SIP				
Outstanding at beginning of the year	99,912	23.5	182,635	23.5
Exercised during the year	(41,525)	23.5	(82,723)	23.5
Outstanding at the end of the year	**58,387**	23.5	**99,912**	23.5
Exercisable at the end of the year	58,387	23.5	99,912	23.5
SAYE				
Outstanding at beginning of the year	1,457,086	348.6	1,444,992	306.2
Granted during the year	191,710	1143.0	115,701	868.0
Exercised during the year	(318,796)	175.5	(14,547)	193.9
Forfeited during the year	(56,445)	438.7	(89,060)	359.1
Outstanding at the end of the year	**1,273,555**	506.9	**1,457,086**	348.6
Exercisable at the end of the year	-	-	5,820	276.9
Executive Option Scheme				
Outstanding at beginning of the year	6,453,740	467.4	5,900,053	417.4
Granted during the year	771,208	1,154.7	1,093,500	669.9
Exercised during the year	(2,124,676)	404.0	(463,995)	319.5
Forfeited during the year	(79,900)	579.1	(75,818)	401.6
Outstanding at the end of the year	**5,020,372**	598.0	**6,453,740**	467.4
Exercisable at the end of the year	578,733	513.7	15,355	195.4
JSOP				
Outstanding at beginning of the year	333,334	-	2,750,000	-
Exercised during the year	(333,334)	-	(2,416,666)	-
Outstanding at the end of the year	-	-	**333,334**	-
Exercisable at the end of the year	-	-	333,334	-

The weighted average market share price at the date of exercise for options exercised during the year was 1129.73 pence (2013: 737.89 pence).

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

	Year ended 30 June 2014		Year ended 30 June 2013	
	Share options **No.**	Weighted average expected remaining life	Share options **No.**	Weighted average expected remaining life
Options exercise price range (pence)				
23.5	58,387	0 years	99,912	0 years
175.0	-	0 years	317,769	0.3 years
195.4	163,205	0 years	690,975	0.8 years
268.3	299,074	0.7 years	312,896	1.7 years
268.8	-	0 years	333,334	0 years
347.2	203,680	0.7 years	203,680	1.7 years
365.0	595,560	2.7 years	622,295	3.7 years
388.8	974,649	1.2 years	982,365	2.2 years
409.8	-	0 years	500,000	0.2 years
441.3	200,000	0.7 years	200,000	1.7 years
447.6	400,000	0.2 years	400,000	1.2 years
451.9	636,433	2.2 years	645,523	3.2 years
458.0	-	0 years	800,000	0.3 years
477.1	86,240	1.7 years	91,858	2.7 years
595.0	212,897	1.7 years	212,897	2.7 years
606.3	424,800	0.2 years	724,800	0.9 years
631.5	493,500	3.3 years	493,500	4.3 years
687.0	480,000	1.3 years	540,000	2.3 years
831.0	60,000	3.6 years	60,000	4.6 years
868.0	100,970	3.7 years	112,267	4.7 years
888.1	53,208	2.6 years	-	0 years
980.0	318,000	4.3 years	-	0 years
1,143.0	191,710	4.8 years	-	0 years
1,329.0	400,000	2.6 years	-	0 years
	6,352,313	1.8 years	8,344,071	1.8 years

Notes to the Consolidated Financial Statements

25. SHARE-BASED PAYMENTS (CONTINUED)

The fair value at the date of grant of options awarded during the year ended 30 June 2014 and the year ended 30 June 2013 has been estimated by the Black-Scholes methodology and the principal assumptions required by the methodology were as follows:

	At 30 June 2014	At 30 June 2013
Weighted average share price	**1,198.42p**	761.84p
Expected dividend yields	**2.73%**	4.13%
SAYE		
Weighted average exercise price	**1,143.00p**	868.00p
Expected volatility	**33%**	63%
Risk-free rate	**1.87%**	2.50%
Expected life	**5 years**	5 years
Executive scheme		
Weighted average exercise price	**1,154.68p**	669.85p
Expected volatility	**34%**	63%
Risk-free rate	**1.28%**	2.50%
Expected life	**3.8 years**	4 years

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. The share price of share option awards granted prior to 15 May 2007 were based on the latest market value agreed with HM Revenue & Customs using an earnings multiples approach based on comparable quoted companies. Similarly, share price volatility was estimated as the average of the volatility experienced by a comparable group of quoted companies. 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. 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 7.

26. EVENTS AFTER BALANCE SHEET DATE

On 3 September 2014 the directors proposed a second interim ordinary dividend payment of 15.39 pence per ordinary share and a special dividend of 9.61 pence per ordinary share, payable on 26 September 2014 to all shareholders on the register at the close of business on 12 September 2014 as detailed in note 10.

27. 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 2014 and 30 June 2013 the Company has been party to a lease with P K Hargreaves, a current director and S P Lansdown, a director until 23 November 2012, 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 £105,000 per annum. No amount was outstanding at either year-end. Shortly before 30 June 2013 P K Hargreaves bought out the 50% ownership in Kendal House held by S P Lansdown.

During the year the Company settled certain personal expenses on behalf of one director, all of which were subject to subsequent reimbursement from the director. The maximum outstanding at any one time was £5,444. At the year end the amount outstanding was £4,999 which was repaid on 23 July 2014. No interest was paid on these amounts.

During the years ended 30 June 2014 and 30 June 2013 the Group has provided a range of investment services in the normal course of business to shareholders, directors and staff on normal third party business terms.

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 2014 £'000	Year ended 30 June 2013 £'000
Short-term employee benefits	**8,813**	11,035
Post-employment benefits	**590**	416
Termination benefits	**50**	-
Share-based payments	**1,141**	1,528
	10,594	12,979

In addition to the above key management personnel received gains of £2,999,000 relating to the Joint Share Ownership Plan (2013: £11,364,000) and £12,168,000 relating to the exercise of share options (2013: £1,438,000).

Notes to the Consolidated Financial Statements

27. RELATED PARTY TRANSACTIONS (CONTINUED)

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 are shown in the Remuneration Committee report.

	Year ended 30 June 2014 £'000	Year ended 30 June 2013 £'000
Short-term employee benefits	**3,318**	4,459
Post-employment benefits	**108**	94
Share-based payments	**278**	733
	3,704	5,286

In addition to the above, directors of the Company received gains of £nil relating to the Joint Share Ownership Plan (2013: £7,829,000) and £9,016,000 relating to the exercise of share options (2013: £1,438,000).

Emoluments of the highest paid director	**2,036**	2,836
Number of directors who exercised share options during the year	**2**	2
Number of directors who were members of money purchase pension schemes	**2**	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.

28. FINANCIAL INSTRUMENTS

The fair values of the Group's financial assets and liabilities are not materially different from their carrying values. Market values have been used to determine the fair values of cash and cash equivalents, and available-for-sale financial assets where there is a quoted market price. Investments in equity instruments which do not have a quoted market price in an active market or whose fair value cannot be reliably measured are measured at cost which the directors believe is not significantly different to fair value.

	Level 1 £'000	Level 2 £'000	Level 3 £'000	**Total £'000**
At 30 June 2014				
Financial assets at fair value through profit or loss	610	-	-	**610**
Available-for-sale financial assets	-	-	264	**264**
	610	-	264	**874**
At 30 June 2013				
Financial assets at fair value through profit or loss	349	-	-	**349**
Available-for-sale financial assets	-	-	264	**264**
	349	-	264	**613**

There were no transfers between Level 1 and Level 2 and no reduction in level 3 assets during the year (2013: £nil).

Nature and extent of risks arising from financial instruments

(a) Financial risk management

Financial assets principally comprise trade and other receivables, cash and cash equivalents, and current asset listed and unlisted investments. Financial liabilities comprise certain provisions and trade and other payables. 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.

(b) Market risk

- Interest rate risk

  Interest rate risk is the risk that the Group will sustain losses from adverse movements in interest-bearing assets. There is an exposure to interest rates on banking deposits held in the ordinary course of business. At 30 June 2014 the value of financial instruments on the Group balance sheet exposed to interest rate risk was £201.24 million (2013: £177.75 million) comprising cash and cash equivalents. A 50bps (0.5%) move in interest rates, in isolation, would impact investment income by c. £1.1 million per annum. This impact, after taking into account the corresponding increase/decrease in the Group's tax charge, would lead to a change in retained profit for the year. 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. Short-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.

  As 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. These balances are not on the Group balance sheet but amounted to £4,045 million (2013: £3,561 million).

- 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 located 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. Given the limited nature of transactions and assets involving foreign currencies no sensitivity analysis has been conducted as the impact would be minimal.

- 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 balance sheet. At 30 June 2014, the fair value of investments recognised on the Group balance sheet was £874,000 (2013: £613,000). A 20% move in equity prices, in isolation, would not have a material impact on the Group balance sheet or results.

  As a main source of revenue is based on the value of client assets under administration, the Group has an indirect exposure to security price risk on investments held for clients. These assets are not on the Group balance sheet. 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.

(c) 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.

Notes to the Consolidated Financial Statements

28. FINANCIAL INSTRUMENTS (CONTINUED)

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 balance sheet date.

	0-3 months £'000	3-6 months £'000	6-12 months £'000	Over 1 year £'000	Total £'000
At 30 June 2014					
Trade and other payables:					
Trade payables	242,153	-	-	-	**242,153**
Other payables	16,385	-	-	-	**16,385**
	258,538	-	-	-	**258,538**
At 30 June 2013					
Trade and other payables:					
Trade payables	231,192	-	-	-	**231,192**
Other payables	7,311	-	-	-	**7,311**
	238,503	-	-	-	**238,503**

(d) Credit risk

The Group has no significant concentration of credit risk as credit exposure is spread over a large number of counterparties and customers.

Within the Group's Stockbroking operation, the Group is exposed to credit risk from counterparties to a securities transaction during the period between the trade date and the settlement date. This period is generally three business days. The Group has credit exposure that extends beyond the original settlement date if the counterparty fails either to make payment or to deliver securities. These transactions are with financial institutions and clients. 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. In that instance, the securities could be sold in the market and therefore the economic substance of the transaction is that securities serve as collateral in the case of delivery versus payment trade debtors. As a result, the risk exposure is effectively to an adverse movement in market prices between the time of trade and settlement.

Other credit risk within the Group is primarily attributable to its trade receivables and the majority represents balances due from other regulated financial institutions where there is an ongoing relationship between the Group and institution. Credit risk is therefore considered to be limited. The amounts presented in the balance sheet 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.

Cash is held with UK 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.

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

	At 30 June 2014 £'000	At 30 June 2013* £'000
Receivables at cost:		
Cash and cash equivalents	**201,238**	177,754
Trade and other receivables	**303,863**	284,215
Financial assets at fair value through profit or loss:		
Financial investments	**610**	349
Available-for-sale financial assets:		
Financial investments	**264**	264
	505,975	462,582

*The prior period comparatives have been restated as a result of a change in accounting policy. The impact of this is disclosed in Note 1.

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

	Neither impaired nor past due £'000	0-3 months past due £'000	3-6 months past due £'000	6-12 months past due £'000	Over 12 months past due £'000	**Total £'000**
At 30 June 2014						
Trade and other receivables:						
Trade receivables	252,363	8,386	657	770	81	**262,257**
Other receivables	6,039	-	-	-	-	**6,039**
Prepayments and accrued income	35,567	-	-	-	-	**35,567**
	293,969	8,386	657	770	81	**303,863**
Held-for-trading assets	610	-	-	-	-	**610**
Available-for-sale assets	264	-	-	-	-	**264**
	294,843	8,386	657	770	81	**304,737**
At 30 June 2013*						
Trade and other receivables:						
Trade receivables	247,262	2,039	244	107	45	**249,697**
Other receivables	962	-	-	-	-	**962**
Prepayments and accrued income	33,556	-	-	-	-	**33,556**
	281,780	2,039	244	107	45	**284,215**
Held-for-trading assets	349	-	-	-	-	**349**
Available-for-sale assets	264	-	-	-	-	**264**
	282,394	2,039	244	107	45	**284,829**

*The prior period comparatives have been restated as a result of a change in accounting policy. The impact of this is disclosed in Note 1.

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

- Financial institutions
  In respect of trade receivables, £21.9 million (2013: £13.6 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 £114.0 million (2013: £15.6 million) relates to revenue items due from financial institutions regulated by the FCA.

  For prepayments and accrued income, the balance predominantly relates to accrued interest due from financial institutions regulated by the FCA on own and client cash balances.

- Corporate clients
  Prepayments relating to businesses other than financial institutions, mainly purchase suppliers.

- 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.

  For prepayments and accrued income, the balance includes management fees and charges due from clients.

Notes to the Consolidated Financial Statements

28. FINANCIAL INSTRUMENTS (CONTINUED)

	Financial institutions £'000	Corporate clients £'000	Individuals £'000	Total £'000
At 30 June 2014				
Trade receivables	60,718	18	191,628	**252,364**
Other receivables	6,039	-	-	**6,039**
Prepayments and accrued income	20,022	4,346	11,199	**35,567**
Held-for-trading assets	610	-	-	**610**
Available-for-sale assets	264	-	-	**264**
	87,653	4,364	202,827	**294,844**
At 30 June 2013				
Trade receivables	29,268	73	217,921	**247,263**
Other receivables	962	-	-	**962**
Prepayments and accrued income	28,180	3,757	1,619	**33,556**
Held-for-trading assets	349	-	-	**349**
Available-for-sale assets	264	-	-	**264**
	59,023	3,830	219,540	**282,393**

Capital management
Capital is defined as the total of share capital, share premium, retained earnings and other reserves. Total capital at 30 June 2014 was £228.3 million (2013: £197.1 million) and this capital is managed via the net assets to which it relates.

It is the Group's policy to maintain a strong capital base. 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.

All regulated entities within the Group are required to comply with the requirements set by the FCA and must meet the Pillar 1 regulatory Capital Resources Requirements (CRR) set out in the Capital Requirements Directive (the "Directive"). The CRR is the higher of i) the fixed overhead requirement and ii) the sum of the credit risk capital requirement and the market risk capital requirement.

The Group is also required to comply with the requirements of the Directive under Pillar 2 (Operational Risk) and Pillar 3 (Disclosure) in respect of the Group's regulatory capital requirements. The Directive requires continual assessment of the Group's risks in order to ensure that the higher of Pillar 1 and 2 requirements is met, the objective being to ensure that the regulated firms have adequate capital to enable them to manage their risks.
The Group completes its assessment of regulatory capital requirements using its Individual Capital Adequacy Assessment Process ("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. The ICAAP covers current as well as projected capital requirements, and is used to manage regulatory capital. Under the requirements of Pillar 3, the Group is required to disclose regulatory capital information, and has done so by making the disclosures available in the Group's website at http://www.hl.co.uk/investor-relations/pillar-3-disclosures.

Regulatory capital is determined in accordance with the requirements of the Capital Requirements Directive prescribed in the UK by the FCA, and the Group's regulatory capital is divided into two tiers:

- Tier 1 capital, which is the total of issued share capital, retained earnings and reserves created by appropriations of retained earnings, net of the book value of goodwill and other intangible assets; and
- Tier 2 capital, which is unrealised gains arising on the fair valuation of equity instruments held as available-for-sale.

All of the regulated firms maintained surplus regulated capital throughout the year. The aggregated regulatory Pillar 1 capital surplus across the four regulated subsidiaries was approximately £63.3 million at 30 June 2014 (2013: £47.1 million).The regulated subsidiaries may be limited in the distributions that can be paid up to the parent by their individual capital requirements.

Parent Company Balance Sheet

	Note	At 30 June 2014 £'000	At 30 June 2013 Restated[1] £'000	At 30 June 2012 Restated[1] £'000
ASSETS				
Non-current assets				
Investments	4	**2,152**	2,152	2,152
Deferred tax assets	5	**21**	26	31
		2,173	2,178	2,183
Current assets				
Trade and other receivables	6	**192**	6,319	104
Cash and cash equivalents	7	**188,172**	162,016	127,063
Investments	4	**-**	-	1,657
		188,364	168,335	128,824
Total assets		**190,537**	170,513	131,007
LIABILITIES				
Current liabilities				
Trade and other payables	8	**64,577**	46,655	40,319
Current tax liabilities		**140**	10	126
		64,717	46,665	40,445
Net current assets		**123,647**	121,670	88,379
Total liabilities		**64,718**	46,665	40,445
Net assets		**125,820**	123,848	90,562
EQUITY				
Share capital	10	**1,897**	1,897	1,897
Share premium account	11	**8**	8	8
Investment revaluation reserve	11	**-**	-	177
Capital redemption reserve	11	**12**	12	12
Retained earnings	11	**123,903**	121,931	88,468
Total equity, attributable to the owners of the parent		**125,820**	123,848	90,562

1 Restated as described in Note 2 to the Company financial statements

The financial statements of Hargreaves Lansdown plc, registered number 02122142, on pages 93 to 100 were approved by the Board of directors and authorised for issue on 16 September 2014.

Ian Gorham
Chief Executive

Tracey Taylor
Chief Financial Officer

Parent Company Statement of Changes in Equity

	Share capital £'000	Share premium account £'000	Investment revaluation reserve £'000	Capital redemption reserve £'000	Retained earnings £'000	**Total £'000**
At 1 July 2012	1,897	8	177	12	88,468	**90,562**
Profit for the period	-	-	-	-	144,687	**144,687**
Other comprehensive income:-						
Net fair value gains on available-for-sale assets	-	-	(177)	-	-	**(177)**
Total comprehensive income	-	-	(177)	-	-	**(177)**
Dividend paid	-	-	-	-	(111,223)	**(111,223)**
At 30 June 2013	1,897	8	-	12	121,931	**123,848**
Profit for the period	-	-	-	-	143,985	**143,985**
Other comprehensive income:-						
Net fair value gains on available-for-sale assets	-	-	-	-	-	**-**
Total comprehensive income	-	-	-	-	-	**-**
Dividend paid	-	-	-	-	(142,013)	**(142,013)**
At 30 June 2014	1,897	8	-	12	123,903	**125,820**

The share premium account represents the difference between the issue price and the nominal value of shares issued.

The investment revaluation reserve represents the change in fair value of available-for-sale investments held by the Company, net of deferred tax.

The capital redemption reserve relates to the repurchase and cancellation of the Company's own shares.

Details of the Company's dividends are as set out in note 10 to the consolidated financial statements.

Parent Company Statements of Cash Flows

	Note	Year ended 30 June 2014 £'000	Year ended 30 June 2013[1] £'000
Net cash from operating activities			
Cash generated from operations	9	**24,074**	221
Income tax paid		**(68)**	(256)
Net cash from/(used in) operating activities		**24,006**	(35)
Investing activities			
Interest received		**563**	790
Dividends received from investments		**143,600**	144,100
Proceeds on disposal of available-for-sale investments		**1**	1,320
Net cash from investing activities		**144,164**	146,210
Financing activities			
Dividends paid to owners of the parent		**(142,013)**	(111,223)
Net cash used in financing activities		**(142,013)**	(111,223)
Net increase in cash and cash equivalents		**26,156**	34,953
Cash and cash equivalents at beginning of year		**162,016**	127,063
Cash and cash equivalents at end of year	7	**188,172**	162,016

1 Restated as described in Note 2 to the Company financial statements

Notes to the Company Financial Statements

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 Business Review.

The Company financial statements are presented in 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 are presented as required by the Companies Act 2006. They have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards and law.

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.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Company are the same as those of the Group which are set out in note 2 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.

During the year there has been a change in the policy relating to how cash balances are recognised within the Company and subsidiary companies in pooled treasury situations. Previous policy was to recognise cash balances which form part of a group treasury arrangement within the originating legal entity. During the year it was decided that recognition of these group treasury balances should follow the legal form of the treasury arrangement with the cash recognised within the company that is externally contractually entitled to the cash balance, and with group treasury balances recognised as intercompany balances between the Company and its subsidiary companies. This accounting policy change results in the following balance sheet reclassifications but has no impact on retained profits or earnings per share.

	At 30 June 2014 £'000	At 30 June 2013 £'000	At 30 June 2012 £'000
Amounts payable to subsidiaries, as previously stated	5,456	15	18,355
Reclassification as cash balance	59,048	46,550	21,867
Amounts payable to subsidiaries, as restated	64,504	46,565	40,222
Amounts receivable from subsidiaries, as previously stated	112	1,150	32
Reclassification as cash balance	(112)	4,893	-
Amounts receivable from subsidiaries, as restated	-	6,043	32
Cash and cash equivalents, as previously stated	129,012	120,359	105,196
Reclassification from amounts due to/from subsidiaries	59,160	41,657	21,867
Cash and cash equivalents, as restated	188,172	162,016	127,063

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 £143,985,329 (2013: £144,686,825).

The auditor's remuneration for audit and other services is disclosed in note 6 to the consolidated financial statements.

4. INVESTMENTS

	Year ended 30 June 2014 £'000	Year ended 30 June 2013 £'000
Investments in subsidiaries		
At beginning of year	**2,152**	3,809
Sales	**-**	(1,657)
At end of year	**2,152**	2,152
Comprising:		
Non-current investments - Investments in subsidiaries valued at cost less impairment	**2,152**	2,152

No investments are classified as available-for-sale (2013: £nil).

A list of the investments in subsidiaries, all of which are incorporated in the UK is shown below. 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.

- Hargreaves Lansdown Advisory Services Ltd (formerly Hargreaves Lansdown Pensions Direct - 100% shares held)
  Advisory services
- Hargreaves Lansdown Asset Management Ltd (100% shares held)
  Unit trust equity broking, investment fund management, life and pensions consultancy
- Hargreaves Lansdown Fund Managers Ltd (100% shares held)
  Unit trust management
- Library Information Services Ltd (75% shares held)
  Data provider
- Hargreaves Lansdown Stockbrokers Ltd (100% shares held)
  Stockbroking
- Hargreaves Lansdown Nominees Ltd (100% shares held)*
  Nominee services
- Hargreaves Lansdown Insurance Brokers Ltd (100% shares held)*
  Dormant company
- Hargreaves Lansdown Investment Management Ltd (100% shares held by Hargreaves Lansdown Fund Managers Limited)*
  Dormant company
- Hargreaves Lansdown IT & Administration Services Ltd (100% shares held)*
  Dormant company
- Hargreaves Lansdown Pensions Ltd (100% shares held by Hargreaves Lansdown Advisory Services Limited)*
  Dormant company
- Hargreaves Lansdown Pensions Trustees Ltd (100% shares held)*
  Dormant company
- Hargreaves Lansdown EBT Trustees Ltd (100% shares held)*
  Trustee of the Employee Benefit Trust
- Hargreaves Lansdown Trustee Company Ltd (100% shares held)*
  Trustee of the Share Incentive Plan

* Exempt from audit

5. DEFERRED TAX

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 20%, being the rate in force at the balance sheet date.

	Accelerated tax depreciation £'000	Other deductible temporary differences £'000	Total £'000
At 1 July 2012	20	11	31
Charge to income	(5)	-	(5)
At 30 June 2013	15	11	26
Charge to income	(4)	(1)	(5)
At 30 June 2014	11	10	21

6. TRADE AND OTHER RECEIVABLES

	Year ended 30 June 2014 £'000	Year ended 30 June 2013 £'000
Financial assets:		
Amounts receivable from subsidiaries and EBT	**-**	6,043
Other receivables	**-**	-
	-	6,043
Non-financial assets:		
Prepayments and accrued income	**192**	276
	192	6,319

Other receivables are measured at initial recognition at fair value. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired.

2013 balances relating to amounts owed by subsidiaries have been restated for a change in accounting policy as explained in Note 2.

7. CASH AND CASH EQUIVALENTS

	Year ended 30 June 2014 £'000	Year ended 30 June 2013 £'000
Cash and cash equivalents:		
Group cash and cash equivalent balances	**188,172**	162,016
	188,172	162,016

Cash and cash equivalents comprise cash and institutional cash funds with near-instant access held by the Group. 2013 balances have been restated for a change in accounting policy as explained in Note 2.

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 cash balances as shown above.

8. TRADE AND OTHER PAYABLES

	Year ended 30 June 2014 £'000	Year ended 30 June 2013 £'000
Financial liabilities:		
Amounts payable to subsidiaries	**64,504**	46,565
Social security and other taxes	**4**	4
Other payables	**30**	27
	64,538	46,596
Non-financial liabilities:		
Accruals and deferred income	**39**	59
	64,577	46,655

Amounts due from subsidiaries comprise short-term lending to subsidiaries, repayable on demand. The fair values of amounts owed by subsidiaries are equal to their carrying amounts. No provisions have been recognised in respect of amounts owed by subsidiaries.

2013 balances relating to amounts payable to subsidiaries have been restated for a change in accounting policy as explained in Note 2.

9. NOTES TO THE COMPANY STATEMENTS OF CASH FLOWS

	Year ended 30 June 2014 £'000	Year ended 30 June 2013 £'000
Profit for the year after tax	**143,985**	144,687
Adjustments for:		
Investment revenues	**(144,163)**	(144,890)
Other (gains)/losses	**(1)**	159
Income tax expense	**204**	144
Operating cash flows before movements in working capital	**25**	100
Decrease/(Increase) in receivables	**6,127**	(6,214)
Increase in payables	**17,922**	6,335
Cash generated from operations	**24,074**	221

10. SHARE CAPITAL

Details of the Company's share capital are as set out in Note 22 to the consolidated financial statements.

11. RESERVES

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 2013 and 2014 financial years.

The investment revaluation reserve represents the change in fair value of available-for-sale investments held by the Company, net of deferred tax.

The capital redemption reserve relates to the repurchase and cancellation of the Company's own shares and was unchanged at £12,000 throughout the 2013 and 2014 financial years.

Details of the movements in Retained Earnings are set out in the Parent Company Statement of Changes in Equity.

12. RELATED PARTY TRANSACTIONS

The key management personnel of the Group and the Company are the same. The relevant disclosures are given in note 27 to the consolidated financial statements.

The Company has no employees (2013: nil).

As discussed in note 25 to the consolidated financial statements, the Group provides share-based compensation to employees through a number of schemes; these are all in relation to shares in the Company and the cost of providing those benefits is recharged to the employing companies in the Group.

The Company entered into the following transactions with subsidiaries and the Employee Benefit Trust, which are related parties.

	Year ended 30 June 2014 £'000	Year ended 30 June 2013 £'000
Dividends received from subsidiaries	**143,600**	144,100
Management charges to subsidiaries	**716**	718
Amount owed to related parties at 30 June	**5,456**	15
Amounts owed by related parties at 30 June	**112**	1,150

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.

13. EVENTS AFTER BALANCE SHEET DATE

Events after balance sheet date of the Company are the same as those of the Group which are set out in note 26 to the consolidated financial statements.

Directors, Company Secretary, Advisers and Shareholder Information

EXECUTIVE DIRECTORS
Ian Gorham
Peter Hargreaves
Tracey Taylor

NON-EXECUTIVE DIRECTORS
Chris Barling
Michael Evans
Shirley Garrood
Dharmash Mistry
Stephen Robertson

COMPANY SECRETARY
Judy Matthews

INDEPENDENT AUDITOR
PricewaterhouseCoopers LLP, Bristol

SOLICITORS
Osborne Clarke LLP, Bristol
Burges Salmon LLP, Bristol

PRINCIPAL BANKERS
Lloyds Bank plc, Bristol

BROKERS
Barclays
Numis Securities Limited

REGISTRARS
Equiniti Limited

REGISTERED OFFICE
One College Square South
Anchor Road
Bristol
BS1 5HL

WEBSITE
www.hl.co.uk

COMPANY NUMBER
02122142

Five Year Summary

	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Revenue	**358,393**	**292,403**	**238,741**	**207,904**	**158,970**
Commission payable / loyalty bonus	(66,526)	(23,205)	(16,356)	(15,698)	(11,824)
Net revenue *	291,867	269,198	222,385	192,206	147,146
Operating costs	(83,014)	(77,270)	(66,999)	(64,115)	(57,335)
Underlying operating profit	**208,853**	**191,928**	**155,386**	**128,091**	**89,811**
One-off operating costs **	-	-	-	-	(4,429)
FSCS costs ***	(832)	532	(4,774)	(3,646)	-
Operating profit	**208,021**	**192,460**	**150,612**	**124,445**	**85,382**
Investment revenue	1,768	2,879	2,229	1,496	854
Other (losses) and gains	(3)	(155)	(2)	72	59
Profit before tax	**209,786**	**195,184**	**152,839**	**126,013**	**86,295**
Tax	(47,052)	(46,195)	(39,520)	(34,066)	(25,020)
Profit after tax	**162,734**	**148,989**	**113,319**	**91,947**	**61,275**
Equity minority interests	(643)	(598)	(359)	(127)	(9)
Profit for the financial year attributable to owners of the parent company	**162,734**	**148,391**	**112,960**	**91,820**	**61,266**
Equity shareholders' funds	**227,753**	**196,622**	**156,994**	**130,801**	**66,114**
Weighted average number of shares for the purposes of diluted EPS (million)	**474.37**	**471.92**	**469.42**	**469.07**	**468.42**
	Pence	**Pence**	**Pence**	**Pence**	**Pence**
Equity dividends per share paid during year	30.29	23.79	19.47	6.78	16.636
Basic earnings per share	34.5	31.7	24.2	19.8	13.2
Diluted earnings per share	34.2	31.4	24.1	19.6	13.1
Underlying basic earnings per share	-	-	-	20.3	14.0
Underlying diluted earnings per share	-	-	-	20.0	13.9

*As highlighted on page 14 of the Business Review, 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.

**Relates to the costs of an office move

***Relates to the operating costs of the running of and the levies relating to the Financial Services Compensation Scheme (FSCS). In 2011 these costs were shown split between one-off costs of £3,036k and administrative expenses of £610k.

Definition of terms

AGM	Annual General Meeting
Asset retention rate	Based on the monthly lost AUA as a percentage of the opening months AUA and averaging for the year
AUA	Assets Under Administration is the total value of all assets administered or managed by Hargreaves Lansdown on behalf of its clients
AUM	Assets Under Management is the total value of all assets managed by Hargreaves Lansdown comprising our Multi-Manager funds and assets held within PMS
Basic EPS	Basic Earnings Per Share
Board	The board of directors of Hargreaves Lansdown plc
Client retention rate	Based on the monthly lost clients as a percentage of the opening months total clients and averaging for the year
Company	Hargreaves Lansdown plc
CRC Energy efficiency scheme	The Carbon Reduction Commitment efficiency scheme is a mandatory government scheme aimed at improving energy efficiency and cutting emissions in large public and private sector organisations
Corporate Vantage	Our corporate wrap allows employers to offer the benefits of the Hargreaves Lansdown Vantage service to employees via the workplace
CTF	Child Trust Fund
Diluted EPS	Diluted Earnings Per Share
EBT	Employee Benefit Trust
FCA	Financial Conduct Authority, the regulator of the UK financial services industry
FSCS	Financial Services Compensation Scheme
Fund of Funds	An investment strategy whereby a portfolio is created by investing in funds rather than directly into equities and other securities
Group	Hargreaves Lansdown plc and its controlled entities
HL	Hargreaves Lansdown
HL Live Apps	A software application which is designed for use on mobile phones and other portable electronic devices to allow clients access to their accounts and other information on the move
HMRC	HM Revenue and Customs
ICAAP	Internal Capital Adequacy Assessment Process
IFA	Independent Financial Advisor
IFRS	International Financial Reporting Standards
IMA	Investment Management Association
Investment Supermarket Platform	A service which allows clients to buy, sell and hold a wide range of investments in one place
ISA	Individual Savings Account
IT	Information Technology
JSOP	Joint Share Ownership Plan
Loyalty Bonus	A reward to customers for holding certain collective investments within the Vantage wrapper. This is paid on a regular basis as a percentage of qualifying assets
LTIP	Long term incentive plan
Master Portfolios	An interactive tool to help investors start their own portfolio. It provides five portfolios with different levels of risk and time horizons
Multi-Manager funds	A range of funds offered by Hargreaves Lansdown which are managed under the fund of funds format
Net new business inflows	Represents subscriptions, cash receipts, cash and stock transfers in less cash withdrawals, cash and stock transfers out
Number of new Clients	Unique number of clients holding at least one account (PMS, ISA, SIPP or Fund and Share Account) with a value greater than £100 at the year-end
OEIC	Open Ended Investment Company
Net operating profit margin	Operating profit (profit before investment gains) divided by net revenue
Net revenue	Total revenue less commission paid , which is primarily the loyalty bonus paid to clients
Organic growth	Growth in assets under administration can be attributed to two main causes. The first is growth due to the appreciation in the value of existing assets and the second is organic growth through additional contributions
Pillar 1 and 2 capital requirements	The Basel Committee on Banking Supervision set out certain capital requirements which must be met by qualifying financial institutions
Platforum	The advisory and research business specialising in investment platforms which compiles the "Direct Platform Guide"
PMS	Portfolio Management Service
RDR	Retail Distribution Review
SAYE scheme	Save As You Earn scheme
SIPP	Self-invested Personal Pension
Treating clients fairly	A central concept to the FSA's retail regulatory agenda, which aims to ensure an efficient and effective market and thereby help consumers achieve a fair deal
UK Corporate Governance Code	A code with sets out standards for best boardroom practice with a focus on board leadership and effectiveness, remuneration, accountability and relations with shareholders
Vantage	The Group's flagship service, Vantage, is a direct-to-investor platform
Wealth 150	A research-led list of our favourite funds for new investment in the main fund sectors
Year-end/financial year	Our financial year starts on 1 July and ends on 30 June

CAUTIONARY STATEMENT

This Annual Report has been prepared for the members of the Company and no-one else. The Company, its Directors, employees or agents do not accept or assume responsibility to any other person in connection with this document and any such responsibility or liability is expressly disclaimed. Certain statements included or incorporated by reference within this report may constitute "forward-looking statements" in respect of the group's operations, performance, prospects and/or financial condition. By their nature, forward-looking statements involve a number of risks, uncertainties and assumptions and actual results or events may differ materially from those expressed or implied by those statements. Accordingly, no assurance can be given that any particular expectation will be met and reliance should not be placed on any forward-looking statement. Additionally, forward-looking statements regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. No responsibility or obligation is accepted to update or revise any forward-looking statement resulting from new information, future events or otherwise. Nothing in this report should be construed as a profit forecast.

This report does not constitute or form part of any offer or invitation to sell, or any solicitation of any offer to purchase any shares or other securities in the company, nor shall it or any part of it or the fact of its distribution form the basis of, or be relied on in connection with, any contract or commitment or investment decisions relating thereto, nor does it constitute a recommendation regarding the shares and other securities of the company. Past performance cannot be relied upon as a guide to future performance and persons needing advice should consult an independent financial adviser. Statements in this report reflect the knowledge and information available at the time of its preparation. Liability arising from anything in this report shall be governed by English Law. Nothing in this report shall exclude any liability under applicable laws that cannot be excluded in accordance with such laws.

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