Hargreaves Lansdown plc
Results for the year ended 30 June 2021

Highlights:

- Net new business of £8.7 billion
- Strong growth in Assets Under Administration, up 30% to £135.5 billion
- 1,645,000 active clients, an increase of 233,000 in the year
- Underlying profit before tax increase of 8% to £366.0 million
- Profit before tax decrease of 3% to £366.0m
- Total dividend down 8% at 50.5 pence per share

	Year to 30 June 2021	Year to 30 June 2020	**Change %**
Net new business inflows	**£8.7bn**	£7.7bn	**+13%**
Total assets under administration	**£135.5bn**	£104.0bn	**+30%**
Revenue	**£631.0m**	£550.9m	**+15%**
Underlying profit before tax*	**£366.0m**	£339.5m	**+8%**
Profit before tax	**£366.0m**	£378.3m	**-3%**
Diluted earnings per share	**62.5p**	65.9p	**-5%**
Ordinary dividend per share	**38.5p**	37.5p	**+3%**
Total dividend per share	**50.5p**	54.9p	**-8%**

*Underlying profit before tax excludes a one-off gain of £38.8m on the disposal of Funds Library in the year to 30 June 2020

Chris Hill, Chief Executive Officer, commented:

We have delivered a record performance and exceptional growth during an extraordinary and challenging year. Our investment in the scalability, diversity and resilience of HL's business model has resulted in a record 233,000 net new clients and £8.7 billion of net new business in the period, taking total clients to 1.645 million and assets to £135.5 bn.

The pandemic has accelerated two trends that were already evident to us: a permanent shift to digital; and a change in the demographic mix. Demand for our digital services has soared with 393 million digital visits and 98% of trades being done online. In FY21, 83% of our new clients were under 55, as we saw younger clients showing an interest investing and saving, prioritising financial resilience as they benefit from the transition of wealth from older generations.

This has been an extraordinary year and I am proud of how our colleagues responded and continued to deliver to clients throughout this challenging period. We have not furloughed our people, enacted any COVID related redundancy programmes or sought any Government assistance.

Our focus is, as always, on our clients and their lifelong needs, not just their short-term interests. We have been able to capitalise on this extraordinary year – and enlarge our client base substantially - due to our previous investment decisions and confidence in the opportunity ahead. As the UK's market-leading digital wealth management service we have continuously advanced our service and broadened and strengthened our proposition, as client needs evolve, and the wealth market continues to broaden and digitise.

About us:

Hargreaves Lansdown is the UK's largest digital wealth management service administering £135.5 billion of investments for over 1,645,000 clients. Our purpose is to empower people to save and invest with confidence. We aim to provide a lifelong, secure home for people's savings and investments that offers great value, an incredible service and makes their financial life easy.

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Analysts' presentation

Hargreaves Lansdown will be hosting a virtual investor and analyst presentation at 09:00am on 9 August 2021 following the release of the results for the year ended 30 June 2021. A conference call facility will be in place with the following participant dial-in numbers – UK (toll free) 0800 640 6441, UK (local) 020 3936 2999 and all other locations +44 20 3936 2999. The participant code is 403689. Slides accompanying the analyst presentation will be available this morning at www.hl.co.uk/investor-relations and an audio recording of the analyst presentation will be available by close of business on the day.

Alternative performance measure

Included in this announcement are various alternative performance measures used by the Company in the course of explaining the results for the year to 30 June 2021. These measures are listed along with the calculations to derive them and an explanation of why we use them on page 32 in the Glossary of Alternative Financial Performance Measures. A reconciliation to profit before tax is given in the Operating and Financial Review section.

Forward-looking statements

This document has been prepared to provide additional information to shareholders to assess the current position and future potential of the Hargreaves Lansdown Group ("the Group"). It should not be relied on by any other party for any other purpose. This document contains forward-looking statements that involve risks and uncertainties. The Group's actual results may differ materially from the results discussed in the forward-looking statements as a result of various economic factors or the business risks, some of which are set out in this document.

Chief Executive's Review

Exceptional growth in unique market conditions

Any one of us who looks back on the challenges of the last year – from both a business and a personal perspective - would appreciate that it might count as a success to simply have ended the year with our own health, the health of our employees, the health of our clients and the health of our business intact. For a business like ours, alongside the impact of COVID, we have also faced further volatility from political uncertainty – from Brexit to the US elections.

But while it has been a challenging year on so many fronts, these pressures have also caused enormous change. Demand for online services of all kinds has soared. There has been a permanent shift in consumer behaviour in areas from groceries to health services, from online investing to wealth management. We have also seen a rapid acceleration in the importance of ESG for consumers, investors and policy makers. It has not been a year when you could stand still. And at HL we haven't.

Instead, 2021 has been a year of exceptional growth. We have continued to deliver our client-focused growth strategy – welcoming a record 233,000 net new clients in the year. We have achieved this by ensuring we can provide our service to clients through any channel: via mobile, the website, or by phone. Our focus on service has meant we have seen £8.7 billion of net new business flows, the first time we have ever generated over £8 billion in a single financial year. Confidence in both the quality of our service and our offering has driven these flows and, when combined with market growth, has also led us to reach new AUA highs of £135.5 billion, a 30% increase on the prior year.

If the biggest trend has been the change in demand for online service, the second biggest trend has been in the demographic mix. This demographic change has been underway for some time across the industry but has become more noticeable through the pandemic. In FY21, 83% of our new clients were under 55. We are seeing younger clients show an interest in - and willingness to learn about - investing, prioritising financial resilience and saving. They are starting to benefit from the transition of wealth from older generations. The fact that we have attracted so much of this generation to our service gives me confidence that our investment in our proposition and user experience is paying off. This younger mix of clients underpins our future growth because their investment behaviours mirror the trends of previous cohorts: we know what they need from our 40-year track record of supporting clients through their financial lives. As we work with these new clients on similar paths, the lifetime value of our overall client base will increase.

Thirdly, we benefited from the market volatility that has been the inevitable outcome of the challenging year. Investor confidence started the year at a low but swung dramatically on the positive news of COVID vaccines and the political certainty provided by the US election and Brexit. The subsequent upwards trend in confidence, alongside a greater interest in markets and trading during lockdown, led to record equity trading volumes – up 54% on the previous year. This was one of the drivers of strong underlying profit before tax growth, up 8% to £366.0 million. To put those profits in context, they are now bigger than our net revenues were five years ago.

Whilst some of this volume of trading has clearly been exceptional - and we do not expect it to remain at such high levels – there are two key lessons for us from the year. First, we believe there has been a permanent shift in behaviour, and the key structural drivers for the wealth management industry will continue to underpin our long-term growth. Second, we have been able to capitalise on this extraordinary year – and enlarge our client base substantially - due to our previous investment decisions and confidence in the opportunity ahead.

Hargreaves Lansdown has become the market-leading digital wealth management service for a reason. We have captured a 42.9%[1] share of the direct to consumer market due to our highly differentiated service. We have continuously advanced our service as client needs have changed and always ensure they can access our service in the best format for them; and will continue to do so in the future as the wealth market continues to broaden and digitise. We think deeply about our clients' lifelong needs, not just their short-term interests. And we have been disciplined in our investment to ensure we deliver sustainable growth for our investors.

I would like to thank my colleagues for their hard work and energy over the last year that has ensured we have been able to provide a market-leading service for even more clients, especially given the personal pressures from the COVID pandemic on their home lives. I also want to thank our clients for their engagement and enthusiasm as we expand the ways we support them through their financial lives. Our goal now is to continue to enhance the UK's financial resilience, building on the work of the last 40 years – with the leading digital wealth management service.

Changing demographics

The COVID pandemic has reinforced the importance of effective savings and the need for individuals to be financially resilient. This is not a new trend and the structural growth drivers are clear and consistent: enduring low interest rates over the last decade; greater individual responsibility for retirement saving; the generational transfer of wealth; and an increasingly complex savings environment. Each of these are significant societal changes underlining the growing importance of the wealth management industry.

Furthermore, COVID has accelerated these trends and has driven more people of all ages to engage with their finances. Younger people now have a greater appetite for investment. In 2007, the median age of our client base was 58, by 2014 this was 54, and in 2021 this is now 46. During FY21, nearly half the clients joining our platform were in the 30-54 age bracket – one of the key demographic groups who build wealth over time. Getting clients onto the platform earlier means that we can support them for longer as they grow their wealth.

Driving client engagement

Clearly, it is not enough to simply add new clients in record numbers. We have always served an engaged audience with 'best insight' and built a trusted relationship with our clients. We have continued to invest in both our proposition and our service to ensure we adapt to meet the varying needs of our expanding client base – and add value to them. That has been helped by our unique access to client data and behaviours built up over 40 years.

You can see the results in the levels of engagement we have seen. We had 393 million digital visits in FY21 compared to 249 million in FY20. What is also welcome is how our clients are engaging with us: 98% of trades are digital; desktop log ins were up by 28% and mobile log ins up 110% over the last year. Overall, these levels of engagement led to a record 26.9 million transactions.

These high levels of engagement were not by accident. We invested in our helpdesk support. We made some clear choices to prioritise our approach to guidance, our educational tools and making our platform easy to use. Over the year, we had over 3.64 million visitors to HL articles (3.64m prior year), saw 398,000 guide downloads (280,000 prior year), uploaded 1,192 new articles to our website and our Helpdesk received 1.7 million calls (1.3m prior year).

In these interactions our goal has been to drive better client outcomes and responsible investment behaviours. Across FY21, this has been a particular focus with the rollout of our 'Better Investors' campaign which targets new joiners with education and behavioural nudges to help educate clients to make better decisions – and has driven high levels of engagement. This work has focused on providing relevant information that helps clients to target their investment choices around their goals, raise awareness of how changing conditions suit different investments and how they can build long-term savings. Alongside this we have also continued to engage with regulators, working on how we can continue to serve our clients better, deliver the right outcomes and set an example as the market leading service in our industry.

Our close relationship with what our clients want to know - and how they are using our platform - also helps us identify key trends in investor interest, with a step change in retail investor interest in ESG being the most notable. We have continued to respond to that interest by making more online resources available, integrating ESG considerations into our Fund research process and adding further responsible funds to our Wealth Shortlist. Other examples of this dynamic approach to content include our "financially fearless" campaign for women, materials on market volatility due to COVID and the trading phenomenon around GameStop and so-called meme stocks.

Given these high levels of engagement, it is essential for digital wealth management services to continue to be both secure and stable. In November, very high levels of volume associated with market volatility led to a brief outage of our system. We learned from that experience and have implemented a number of changes to capabilities, processes and systems to mitigate risk and ensure we maintain robust client service as we scale.

Prioritising client experience

Our position as the market leader, with our levels of engagement and quality of client insight, gives us an advantage in the design and delivery of improvements to our proposition and service ahead of the competition.

We have continued to improve our proposition in 2021 with the launch and enhancement of our Wealth Shortlist which now offers new tools and greater insight to help clients make their investment decisions. The addition of fund charge comparisons has also led to better pricing across the platform and we have increased the number of segregated mandates in the HL Multi Manager range such that 41% is now managed this way, giving us greater control and passing on better pricing to clients.

We expanded our Active Savings service with the addition of two new banks and extended our product range to introduce limited access accounts, providing even more choice for clients. The service has now reached £3.1 billion AUA and plays a vital role in the savings market where the rates clients can achieve are so important, with at least one market leading rate available through the platform for 90% of this financial year. We launched our Cash ISA which will be rolled out more widely in the new financial year. This offer also helps us reach different groups of future investors to help them engage with their finances.

Client Experience is not just about the proposition; it is also about building our differentiated service. Over the year, we prioritised service, enhancing practical capabilities in areas such as payments where we formed key partnerships with FinTechs, such as Stripe, to accelerate the roll out of better digital payments solutions. We also launched 24/7 faster payment bank transfers in our SIPP and Fund & Share Accounts.

We have made our service easier to use in a number of ways, by actively analysing our client data to understand what they want from us. As a result, we improved the functionality of our mobile app which has seen an 81% increase in average daily users accessing our service over prior year. We made it easier for clients to view and engage with individual investment information including purchase and sale history, average prices, total income values received and next expected dividend dates. Fund switching functionality was introduced in March and we used banners on the app to guide and nudge client engagement.

For clients approaching retirement we added a new online drawdown journey, with 76% of applications now using this route and providing positive client feedback that allows us to continue to improve the experience and engagement with this key group. As the wealth management platform with the broadest suite of products to manage retirement, we will continue to invest to ensure we have the best tools.

Building financial resilience

At HL, building financial resilience is at the heart of what we do. The COVID-19 pandemic has reinforced the importance of effective savings and the need for individuals to be financially resilient but, while it has led many to engage more with their savings, we also recognise that this extraordinary year has reinforced a financial divide in this country. Every year millions of people experience life events that can cause a sudden loss of income or increase in expenditure. Yet many households lack the financial resilience to withstand such an event and have little protection against falling into difficulty. The impacts can be severe.

According to a national representative survey of 10,030 UK adults by Focaldata 18 months into the pandemic, just a third of Britons believe they're in good financial shape. And a quarter say their situation has worsened over the last six months. Those with the lowest levels of savings resilience are seeing their situations worsen.

I believe that we have a responsibility to play our part, so we are looking to add value to this important debate through additional insights, tools, guidance and advice. We launched the 5 to Thrive campaign, the 5 key building blocks needed for financial resilience. Before the pandemic in 2019 the Financial Resilience Taskforce called for the development of a new index to track the nation's financial resilience to help improve it. This is needed now more than ever. So, we intend to help by launching a new Savings and Resilience Barometer in January 2022, as a regular tracker of the nation's progress on resilience dimensions to create a dataset for regional and national policy makers to highlight where help is needed.

Outlook

Our performance in 2021 reinforces our position as the UK's leading digital wealth management service. It has also underlined the significant opportunity ahead for us to transform what it means to be truly 'market-leading'. Our past investment has helped us meet the demands of an exceptional year in a way that has left us with an expanded client base of 1.65 million clients, record-breaking levels of trading and a broader suite of services. We have continuously advanced our service as client needs have changed and we will continue to do so in the future to retain our leading position as the wealth market broadens and digitises further.

The size of the opportunity ahead is significant and our ambition to extend our position as the leading digital wealth management service as the market faces a structural shift in growth is clear. We expect the UK addressable wealth market to grow from £1.4 trillion[2] in 2021 to £1.8 trillion[2] by 2025, with the Direct Platform Market making up almost a quarter (23%) of this future pool.

Structural changes in the UK wealth market have been accelerated by the pandemic and we have learned from experience that clients expect ever-improving levels of service, increasingly delivered on a multi-channel basis via mobile, website, webchat and telephone helpdesk. The drivers of our success over the last five years will inform our response to the challenges and the opportunities we face over the next five years, with the ambition of providing our clients with the best services, products and tools to manage their savings and investments. To that end we have made some significant new senior hires during the period to strengthen our management team as we look to drive the next phase of our digital transformation, with the appointment of a new Chief Information Officer, Chief Technology Officer and a new Chief Risk Officer. In addition, following the recent announcement that our CFO, Philip Johnson, is standing down, we have commenced a search process to identify and appoint his successor. Philip has been a highly valued member of the management team and he will continue to work alongside myself and the Board to ensure an orderly transition.

With this continued investment in our people, proposition, service and technology as well as the cost of servicing an enlarged and growing client base, we expect FY22 costs to reflect this investment and continue to be broadly aligned to client growth.

The impact of COVID on individuals, businesses and the economy still provides an uncertain backdrop to the current year. As we have eased out of lockdown and entered the summer months, we have seen a slowdown in dealing volumes and client activity versus the elevated levels this time last year, which is also normal for this time of year and in line with management expectations. However, given our enlarged client base, we would still expect to see stronger client activity in FY22 versus FY20 (which also included a few months of elevated activity during the peak of the pandemic period) and the breadth of proposition and client focus gives us confidence that as the year progresses, we will continue to win in this growing market.

We are also confident that in the medium term beyond this period of post pandemic 'normalisation' and investment, as demonstrated by the benefits we are already seeing from our previous investments, HL will continue to deliver attractive earnings growth with improving operating leverage as the benefits of this investment deliver.

Chris Hill

Chief Executive Officer
8 August 2021

1 Source: Platforum UK D2C Market Overview (June 2021).
2 Source: FCA, Platforum, Pimfa, PAM Directory, Oliver Wyman estimates – Summer 2021. Addressable wealth definition = wealth served by Financial Advisors, Wealth Managers and D2C market.

Operating and Financial Review

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

	Year ended 30 June 2021 £bn	Year ended 30 June 2020 £bn
Opening AUA	**104.0**	**99.3**
Underlying net new business	**8.7**	**7.7**
Market movement & other	**22.8**	**(3.0)**
Closing AUA	**135.5**	**104.0**

Hargreaves Lansdown provides the leading direct wealth management service in the UK. The strength of our brand and diversified offering, by asset class and wrapper, the quality of our client engagement and service, and the strength of our marketing capabilities has enabled us to deliver record net new client and net new business growth in the period. These are unprecedented times, but the Group has performed exceptionally through them. The additional scale we have gained across the financial year and our relentless focus on client service positions us well for the structural growth opportunity in the UK savings and investments market.

Net new business for the year totalled £8.7 billion (2020: £7.7bn) driven by increased client numbers, continued wealth consolidation onto our platform and strong trading through the COVID-19 period. Throughout the year we have been focused on colleague welfare and have remained open for business. As seen in the initial months of COVID-19 we have continued to see strong growth in net new clients, particularly amongst a younger demographic who were particularly engaged with share dealing.

Our market share of the UK execution only market for share dealing continued to grow, hitting a new high of 43.3% (as measured by Compeer's XO Quarterly Benchmarking Report Q1 2021).

During the year to 30 June 2021, we introduced 233,000 net new clients (2020: 188,000 or 170,000 excluding direct book acquisitions) to our services and grew our active client base by 17% to 1,645,000. The average age of new clients is consistent with recent periods, albeit greater in scale, and they are behaving similarly to recent equivalent cohorts in terms of growing their AUA on the platform over time, diversifying their portfolios and using the tax wrapped accounts. We are encouraged by the qualitative aspects of these clients and the additional lifetime value they have brought to the Group as a result.

This increased client population underpins future growth as clients add new money to their accounts, particularly through the use of annual tax free allowances in the SIPP and ISA products. Over a period of time, clients also typically consolidate their investments through transfers onto our platform. This growth is supported by our continued high retention rates.

Our focus on service and the value our clients place on our offering is evidenced by client and asset retention rates remaining strong at 92.1% and 91.4% respectively (2020: 92.8% and 92.1%). The client retention rate is quoted on our historic measure where we define active clients as those with over £100 on the platform. We note that other providers quote this measure with active clients defined as those with over 1 pence on their platform. For comparative purposes, the HL client retention rate on this basis would have been 94.8% (2020: 95.7%, 2019: 96.1%, 2018: 95.8%).

Our increased focus on digital marketing has been key in winning new and engaging with existing clients, ensuring we become integral to their lives in terms of saving and investing for the future.

Total AUA increased by 30% to £135.5 billion as at 30 June 2021 (£104.0 bn as at 30 June 2020). This was driven by £8.7 billion of NNB plus positive market movement of £22.8 billion.

Financial performance

Income Statement

	Year ended 30 June 2021 £m	Year ended 30 June 2020 £m
Revenue	**631.0**	550.9
Operating costs	**(266.0)**	(214.9)
Fair value gains on derivatives	**0.6**	1.7
Finance income	**1.4**	2.8
Finance costs	**(1.0)**	(1.0)
Underlying profit before tax*	**366.0**	339.5
Gain on disposal	**-**	38.8
Profit before tax	**366.0**	378.3
Tax	**(69.7)**	(65.1)
Profit after tax	**296.3**	313.2

*Definition is shown in the Glossary of Alternative Financial Performance Measures on page 32.

Underlying profit before tax, excluding the one-off gain from the sale of FundsLibrary in 2020, rose 8% to £366.0 million. This increase was driven by revenue growth linked to the increase in AUA on our platform through NNB and market growth along with record share dealing volumes across the year. Including the £38.8 million gain on disposal in the 2020 result, profit before tax fell 3%.

Revenue

Revenue for the year was £631.0 million, up 15% (2020: £550.9m), driven by higher average asset levels and record share dealing volumes for the year. This increase compares to a decrease in the average FTSE All Share of 2.4%, showing the strength of the Group's net new business performance over the past year and diversified revenue stream. This more than offset a fall in interest on client money as the net interest margin was impacted by the emergency cuts in the base rate of interest in March 2020. In addition, we no longer have the revenue derived from our FundsLibrary business, which was £4.8 million in the prior period, as it was sold in February 2020.

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

	Year ended 30 June 2021			Year ended 30 June 2020		
	Revenue £m	**Average AUA £bn**	**Revenue margin bps**	Revenue £m	Average AUA £bn	Revenue margin bps
Funds[1]	**232.9**	**58.5[7]**	**40**	210.6	52.3[7]	40
Shares[2]	**258.0**	**45.1**	**57**	148.5	34.3	43
Cash[3]	**50.7**	**13.0**	**39**	91.1	12.3	74
HL Funds[4]	**60.7**	**8.4[7]**	**72**	63.6	8.7[7]	73
Other[5]	**28.7**	**2.8[6]**	**-**	37.1	1.7[7]	-
Double-count[7]	**-**	**(8.3)[7]**	-	-	(8.6)[7]	-
Total	**631.0**	**119.5[7]**	-	550.9	100.6[7]	-

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

Revenue on Funds increased by 11% to £232.9 million (2020: £210.6m) due to higher AUA from a combination of net new business and market growth. Funds remain our largest client asset class at 49% of average AUA (2020: 52%), and the revenue margin earned on these this year was in line with our expectations at 40bps (2020: 40bps). The majority of the drop in the proportion of average AUA was due to a switch from Funds to Cash in the early stages of the pandemic, in common with the wider asset management market. Through the course of 2021, however, we have seen consistent volumes of Fund purchases especially after Vaccine Monday.

Since the completion of RDR in 2014 revenue margin on funds have broadly been stable. In May 2021 however, we implemented a reduction in platform administration fees for our advised Portfolio Management Service clients and looking forward we now expect the funds revenue margin to be slightly lower in the range of 38.5bps to 39.5bps. Funds AUA at the end of 2021 was £66.6 billion (2020: £51.7bn).

Revenue on Shares increased by 74% to £258.0 million (2020: £148.5m) and the revenue margin was 57bps (2020: 43bps), towards the upper end of our expected range of 45bps to 60 bps given at the Interim results announcement on 1 February 2021. This margin is primarily a result of the ratio of dealing volumes to average AUA, and in the year deal volumes have grown 54% whereas the average Shares AUA has grown by 31%. Hargreaves Lansdown is the leading retail stockbroking business in the UK, with a 43.3% share (source: Compeer Limited XO Quarterly Benchmarking Report Q1 2021). This has enabled us to benefit from the growth in share trading across the industry in the past 18 months, amongst both new and existing clients. This trend goes back to December 2019 post the General Election result and which picked up further in light of the COVID-19 pandemic and the associated market falls and lockdown periods. Total client driven deal volumes increased 60% to 13.1 million (2020: 8.2m). Within this increase overseas deal volumes were up 181%, Although overseas deals bring greater revenues, they also incur greater dealing costs for us.

Whether such elevated dealing volumes continue now lockdowns have been lifted and life returns more to normal is difficult to say. Our focus, however, on engaging with clients, helping to build their financial knowledge and confidence, the breadth of shares available and the ease to invest via our platform may well see a higher base level of dealing volumes than pre COVID-19. Our guidance for the new financial year is 35bps to 45bps. Shares AUA at the end of 2021 was £53.1 billion (2020: £36.4bn).

Revenue on Cash decreased by 44% to £50.7 million (2020: £91.1m) as higher average cash levels were more than offset with a decrease in the net interest margin to 39bps (2020: 74bps). This is in line with our communicated expectations of between 34bps and 40bps given at the interim results announcement on 1 February 2021. Net interest margin has been impacted by the emergency base rate cuts in March 2020 from 0.75% to an all-time low of 0.10%. Term rates offered by the banks initially held up well but fell dramatically a few months later. With the majority of clients' SIPP money placed on rolling 13 month term deposits, and non-SIPP money on terms of up to 95 days, the full impact of the rate fall takes over a year to flow through and hence there will be further impact into the current financial year ending 30 June 2022.

Assuming there are no further base rate changes, our guidance for this year is 15bps to 20bps. Cash AUA at the end of 2021 was £12.6 billion (2020: £13.6bn).

HL Funds consist of 10 Multi-Manager funds, on which the average management fee until 28 June 2021 has been 75bps per annum, and three Select equity funds, on which the management fee is 60bps. Revenue from these funds has fallen by 5% this year to £60.7 million (2020: £63.6m) due to a lower average value of the funds across the year. These fees are collected on a daily basis whereas the Group calculates average AUM on a month end basis, resulting in a headline margin for the period of 72bps (2020: 73bps).

Although we have seen modest net outflows, as we have not actively marketed the Multi-Manager funds whilst the Woodford Equity Income Fund has been suspended, they have been outweighed by market growth such that HL Funds AUM at the end of 2021 was £9.0 billion (2020: £8.0bn). On the main execution only part of our business we saw net inflows for the last 8 months of the year, which coincides with improvements in the funds' performances.

In January 2021 we issued the annual Value for Money report on our own fund range. In the report we announced the decision to lower the annual management charge on some of our Multi-Manager funds and introduce further price reductions linked to economies of scale. These price changes took effect from 28 June 2021 and hence had no real impact on the reported revenue this year. The 2022 financial year, however, will see the full annualised impact, which based on the fund values at the time of the price cuts will result in a loss of revenue of c£3.6 million.

The margin for 2022 is therefore expected to be in the range of 66bps to 70bps. Note that the platform fees on these assets are included in the Funds line and hence total average AUA of £119.5 billion (2020: £100.6bn) excludes HL Funds AUM to avoid double-counting.

Other revenues are made up of advisory fees, Active Savings and ancillary services such as annuity broking, distribution of Venture Capital Trusts and the Hargreaves Lansdown Currency and Market Services. These revenues are primarily transactional and not impacted by market growth.

They declined by 23% in the year mainly because of the disposal of FundsLibrary Limited, our data services provider, which made up £4.8 million of the revenue in the comparative year. In addition, advice fees were lower as COVID-19 made it more difficult to engage with existing and prospective new clients.

Assets held within Active Savings on the platform continue to grow and are shown in the previous table as "Other". The related revenue is not yet material so has been included with various other revenue streams in the same table. As highlighted previously, we believe it is strategically imperative to capture the scale advantage of being a first mover. Consequently, our focus remains on growing AUA at present. Our chosen route for achieving this in the current low interest rate environment is via reducing our revenue margins to ensure the rates offered on Active Savings are highly competitive. This will attract new clients and assets into the service that we need to capitalise on the opportunity.

In November 2020 we soft launched our Cash ISA offering with a controlled roll-out to our existing Active Savings clients before marketing it more widely. In the next year we will add the ability for clients to transfer existing Cash ISAs that they hold elsewhere into Active Savings, which provides a significant opportunity given that UK Cash ISAs total approximately £313 billion. Although Active Savings continues to grow in terms of assets and clients the interest rates on offer, although highly competitive, are not particularly conducive to marketing and significant growth. We continue to see it as part of our core offering and when interest rates eventually start to increase we would expect to see improved growth. As at the end of 2021, Active Savings AUA was £3.1 billion (2020 £2.2bn).

	Year ended 30 June 2021 £m	Year ended 30 June 2020 £m
Ongoing revenue*	**390.5**	404.3
Transactional revenue*	**240.5**	140.1
Other income	**-**	6.5
Total revenue	**631.0**	550.9

*Definitions are shown in the Glossary of Alternative Financial Performance measures on page 32.

The Group has a business model which prospers by offering clients a range of attractive asset classes in a range of market environments and as such benefits from a diversified revenue stream. The Group's revenues are largely ongoing in nature, as shown in the table above. The proportion of ongoing revenue has decreased to 62% (2020: 73%) as the transactional stockbroking commission increased significantly versus last year, whilst at the same time the March 2020 reduction in the base rate of interest impacted ongoing revenue streams.

Ongoing revenue is primarily comprised of platform fees on funds and equities, Hargreaves Lansdown fund management fees, interest on client money and ongoing advisory fees. It fell by 3% to £390.5 million (2020: £404.3m) driven by lower interest rates earned on client money, which more than offset the higher platform fees and management fees from higher average AUA levels. Ongoing revenues provide greater profit resilience and hence we believe they are of higher quality than transactional revenues.

Transactional revenue is primarily made up of stockbroking commission and advisory event-driven fees. This increased by 72% to £240.5 million (2020: £140.1m) with a 60% increase in client driven equity deal volumes being the key factor.

Other revenue is derived from the provision of funds data services and research to external parties through Funds Library, however, this business was sold on 28 February 2020 and hence there is no revenue for this year.

Operating costs

	Year ended 30 June 2021 £m	Year ended 30 June 2020 £m
Staff costs	**119.8**	101.2
Marketing and distribution costs	**28.3**	23.9
Depreciation and amortisation	**16.2**	13.1
Activity costs*	**35.6**	18.4
Third party and technology costs*	**22.8**	14.8
Other costs	**29.4**	29.8
	252.1	201.2
Total FSCS levy	**13.9**	13.7
Total operating costs	**266.0**	214.9

*Definitions are shown in the Glossary of Alternative Financial Performance measures on page 32.

Operating costs increased by 24% to £266.0 million (2020: £214.9m) to support significantly higher client activity levels, maintain client service and invest in the growth opportunities we see ahead for Hargreaves Lansdown.

Over the past four years we have deliberately invested into our service, marketing capabilities, technology, scalability and efficiency as the Group's focus on client service is core to our success and necessary to capture the structural growth opportunity in the UK savings and investments market. This investment has been validated in 2021 by record NNB, record levels of net new clients, increased market shares, attractive client retention rates, the continued development of our product set and growth capabilities and the resilience of our platform through COVID-19.

Key drivers of the cost growth were staff costs in order to deal with higher client numbers and activity levels and various activity based costs.

Our guidance on costs was that they would grow broadly in line with the growth in client numbers. Cost growth in 2021 was marginally ahead of the 17% growth in clients due to the unusual marketing opportunity to acquire new clients and exceptional dealing volume costs. Our guidance remains cost growth aligned with client growth, mindful of our opportunities and market conditions at the time. We believe this will allow us to manage our business as its scale increases whilst investing in our offering to capture the significant market opportunity available to us.

Staff costs remain our largest expense and rose by 18% to £119.8 million (2020: £101.2m). Average staff numbers increased by 11% from 1,599 in 2020 to 1,776 in 2021 with the key increases being within the service functions of the Helpdesk and in Operations, driven by the need to support our increased levels of client activity and contact whilst working in a COVID-19 configuration. Hargreaves Lansdown is a growing business and higher client numbers and associated activity levels will continue to require investment in our servicing functions as we look forward. Technology and efficiency programmes improve our scalability, thereby allowing us to invest productivity gains into extending our proposition and our platform functionality. We believe this reinvestment cycle underpins our future growth.

Marketing and distribution costs increased by 18% to £28.3 million (2020: £23.9m). The impact of COVID-19 and the associated lockdowns has seen a significant rise among existing retail investors engaging with investments and assessing their own financial resilience. In addition, many people, particularly younger ones, have turned to investing for the first time and those with cash savings have been transferring to investments given the all-time low deposit rates available on cash.

This provided us with a great opportunity to invest in client acquisition and to engage with both new and existing clients in order to deepen those relationships. This favourable backdrop for marketing spend extended into the all-important tax year end period where the UK tends to see significant activity amongst retail investors.

In addition, February saw the launch of our second brand marketing campaign. Building on the success of last year's initial launch, we evolved the "Switch your money on" campaign aiming particularly at the ISA market along with the benefits of long-term investing and overall brand awareness. The increased spend together with our digital marketing expertise, resulted in a record 233,000 net new clients and £8.7 billion of NNB for the year

At current revenue margins and activity levels, the £8.7 billion of NNB delivered by the marketing spend will generate c£44 million of future annual revenues.

Depreciation and amortisation costs increased by £3.1 million to £16.2 million (2020: £13.1m). This was a result of higher capital spend in recent years, primarily on core in-house IT systems, hardware and software for increased employee numbers and the Active Savings platform.

Total capitalised expenditure was £17.8 million this year (2020: £15.9m). This majority of this expenditure was for cyclical replacement of IT hardware, the continuing project to enhance the capacity and capability of our key administration systems and the ongoing development of the Active Savings platform.

Activity related costs primarily include dealing related costs and financial transaction charges. Overall they increased by 93% to £35.6 million (2020: £18.4m). The key driver was the significant increase in client activity particularly the record dealing volumes, which helped bring in an additional £101 million of shares revenue and the increased debit card transaction costs as clients added money to their accounts.

Third party data and technology costs increased by 54% to £22.8 million (2020: £14.8m). This was driven by the increase in employee numbers and enabling so many of them to work from home with appropriate hardware and software throughout most of the year, plus additional data costs incurred in providing our proposition.

Other costs primarily include office running costs, legal and professional fees, compliance, compensation costs and insurance. Overall they fell by £0.4 million to £29.4 million (2020: £29.8m).

The Financial Services Compensation Scheme (FSCS) levy increased slightly by £0.2 million to £13.9 million (2020: £13.7m). The cost for the year is a combination of a £0.4 million interim levy relating to the last scheme year, which was only raised in December 2020, plus a charge made in the second half for the new scheme year of £13.5 million (2020: £12.0m). The FSCS is the compensation fund of last resort for customers of authorised financial services firms. All authorised firms are required to contribute to the running of the scheme and the levy reflects the cost of compensation payments paid by the industry in proportion to the amount of each participant's relevant eligible income. At present we anticipate that this levy will continue at a similar level.

Profit before tax

	Year ended 30 June 2021 £m	Year ended 30 June 2020 £m
Operating profit	**365.6**	**337.7**
Finance income	**1.4**	**2.8**
Finance costs	**(1.0)**	**(1.0)**
Underlying profit before tax*	**366.0**	**339.5**
Gain on disposal	**-**	**38.8**
Profit before tax	**366.0**	**378.3**
Tax	**(69.7)**	**(65.1)**
Profit after tax	**296.3**	**313.2**

*Definition is shown in the Glossary of Alternative Financial Performance measures on page 32.

The Group's underlying profit before tax, excluding the one-off gain from the sale of FundsLibrary in 2020, rose by 8% to £366.0 million (2020: £339.5m). Including the £38.8 million gain on disposal in the 2020 result the profit before tax fell 3%. Profits after tax declined by 5% to £296.3 million (2020: £313.2m) as the effective rate of corporation tax rate increased to 19.1% (2020: 17.2%).

Tax

The effective tax rate for the year was 19.1% (2020: 17.2%). This was in line with the standard rate of UK corporation tax. Note last year's effective rate was below the standard rate of UK corporation tax as the gain on disposal of FundsLibrary was exempt as it met the conditions of the Substantial Shareholder Exemption. The Group's tax strategy is published on our website at www.hl.co.uk.

Earnings per share

	Year ended 30 June 2021 £m	Year ended 30 June 2020 £m
Profit after tax	**296.3**	313.2
Diluted share capital (million)	**474.5**	474.8
Diluted EPS (pence per share)	**62.5**	65.9
Underlying diluted EPS (pence per share)*	**62.5**	57.8

*Definition is shown in the Glossary of Alternative Financial Performance measures on page 32.

Diluted EPS decreased by 5% from 65.9 pence to 62.5 pence, as underlying growth was offset by the one-off gain on disposal of FundsLibrary in 2020. The Group's Basic EPS was similarly down 5% from 66.1 pence to 62.6 pence. By removing the profit on disposal of FundsLibrary last year we arrive at an underlying diluted EPS which has increased by 8% from 57.8 pence to 62.5 pence.

Liquidity and capital management

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

The Group seeks to maintain a strong net cash position and a robust balance sheet with sufficient capital and liquidity to fund ongoing trading and future growth, in line with our aim of offering a lifelong, secure home for people's savings and investments. The Group has a high conversion rate of operating profits to cash and its net cash position at 30 June 2021 was £503.5 million (2020: £462.8m). Cash generated through trading more than offset the payments of the 2020 final ordinary and special dividends and the 2021 interim dividend. This includes cash on longer-term deposit and is before funding the 2021 final dividend of £126 million and special dividend of £57 million.

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

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

Capital

	Year ended 30 June 2021 £m	Year ended 30 June 2020 £m
Shareholder funds	**593**	558
Less: goodwill, intangibles and other deductions	**(37)**	(32)
Tangible capital	**556**	526
Less: provision for dividend	**(183)**	(207)
Qualifying regulatory capital	**373**	319
Less: estimated capital requirement	**(183)**	(180)
Estimated surplus	**190**	139

Total attributable shareholders' equity, as at 30 June 2021, made up of share capital, share premium, retained earnings and other reserves increased to £593.5 million (2020: £558.3m) as continued profitability more than offset payment of the 2020 final and special dividends and the 2021 interim dividend. Having made appropriate deductions as shown in the table above, surplus capital amounts to £190 million.

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

Dividend policy and 2021 declarations

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

Dividend (pence per share)

	2021	2020
Interim dividend paid	**11.9p**	11.2p
Final dividend declared	**26.6p**	26.3p
Total ordinary dividend	**38.5p**	37.5p
Special dividend	**12.0p**	17.4p
Total dividend	**50.5p**	54.9p

Reflecting this policy, the Board has declared a 2021 total dividend of 50.5 pence per share. Excluding the one-off return of 8.2 pence per share from the gain on disposal of FundsLibrary within the 2020 special dividend, this was 8% ahead of the like-for-like total dividend equivalent of 46.7 pence per share. This is in line with the growth in underlying earnings per share, reflecting the Board's confidence in the prospects for the business.

The Board considers that an element of 2021's earnings were generated from unusual levels of share dealing activity during the pandemic that does not form an element of its forward guidance on Share revenues. In order to maintain the Board's desire to grow the ordinary dividend progressively across the cycle, it has chosen to recommend a total ordinary dividend of 38.5 pence per share and declare a higher special dividend of 12.0 pence per share in order to maintain the total dividend payout ratio at 81% (2020: 81%). Subject to the shareholder approval of the final dividend at the 2021 AGM, the final and special dividends will be paid on 20 October 2021 to all shareholders on the register at the close of business on 24 September 2021.

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

Philip Johnson
Chief Financial Officer
8 August 2021

SECTION 1: RESULTS FOR THE YEAR

Consolidated Income Statement for the year ended 30 June 2021

	Note	**Year ended 30 June 2021 £m**	Year ended 30 June 2020 £m
Revenue		**631.0**	550.9
Fair value gains on derivatives		**0.6**	1.7
Operating costs	1.3	**(266.0)**	(214.9)
Operating profit		**365.6**	337.7
Finance income	1.5	**1.4**	2.8
Finance costs		**(1.0)**	(1.0)
Other gains	4.1	**-**	38.8
Profit before tax		**366.0**	378.3
Tax	1.7	**(69.7)**	(65.1)
Profit for the financial year		**296.3**	313.2
Attributable to:			
Owners of the parent		**296.7**	313.1
Non-controlling interest		**(0.4)**	0.1
		296.3	313.2
Earnings per share			
Basic earnings per share (pence)	1.8	**62.6**	66.1
Diluted earnings per share (pence)	1.8	**62.5**	65.9
Underlying basic earnings per share (pence)	1.8	**62.6**	57.9
Underlying diluted earnings per share (pence)	1.8	**62.5**	57.8

The results relate entirely to continuing operations.

Consolidated Statement of Comprehensive Income for the year ended 30 June 2021

	Year ended 30 June 2021	Year ended 30 June 2020
	£m	£m
Profit for the financial year	**296.3**	313.2
Total comprehensive income for the financial year	**296.3**	313.2
Attributable to:		
Owners of the parent	**296.7**	313.1
Non-controlling interest	**(0.4)**	0.1
	296.3	313.2

1.1 Revenue

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

	Year ended 30 June 2021 £m	Year ended 30 June 2020 £m
Revenue:		
Platform Fees	**263.7**	234.4
Fund Management Fees	**60.8**	63.6
Ongoing Adviser Fees	**9.0**	10.2
Interest earned on client money	**51.9**	91.2
Renewal commission	**5.1**	4.9
Fees on stockbroking transactions	**231.6**	127.3
Initial adviser charges	**5.1**	8.6
Other transactional income	**3.8**	4.2
Other revenue	**-**	6.5
Revenue	**631.0**	550.9

1.2 Segmental reporting

Under IFRS 8, operating segments are required to be determined based upon the Group's internal organisation and management structure and the primary way in which the Chief Operating Decision Maker (CODM) is provided with financial information. In the case of the Group, the CODM is considered to be the Executive Committee.

It is the view of the Board and of the Executive Committee that there is only one segment, being the Group – a direct-to-investor investment service administering investments in ISA, SIPP, Fund and Share accounts and Active Savings, providing services for individuals and corporates. It is considered that segmental reporting does not provide a clearer or more accurate view of the reporting within the Group. Given that only one segment exists, no additional information is presented in relation to it, as it is disclosed throughout these financial statements.

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

1.3 Operating costs

Operating profit has been arrived at after charging:	**Year ended 30 June 2021 £m**	Year ended 30 June 2020 £m
Depreciation of owned plant and equipment	**9.0**	8.4
Amortisation of other intangible assets	**6.1**	5.2
Impairment of intangible assets	**1.1**	-
Marketing and distribution costs	**28.6**	23.9
Operating lease rentals payable – property	**0.1**	0.1
Office running costs – excluding operating lease rentals payable	**4.9**	4.3
FSCS costs	**13.9**	13.7
Dealing and financial services cost	**35.6**	15.1
Data and technology costs	**22.8**	14.8
Other operating costs [1]	**24.1**	28.2
Staff costs	**119.8**	101.2
Operating costs	**266.0**	214.9

1 Includes net losses on investments as outlined in note 2.1

1.4 Staff costs

The average monthly number of employees of the Group (including executive Directors) was:	**Year ended 30 June 2021 No.**	Year ended 30 June 2020 No.
Operating and support functions	**1,360**	1,175
Administrative functions	**479**	424
	1,839	1,599
Their aggregate remuneration comprised:	**£m**	£m
Wages and salaries	**97.5**	84.9
Social security costs	**10.8**	6.8
Share based payment expenses	**4.5**	3.6
Other pension costs	**11.6**	10.0
Staff costs	**124.4**	105.3
Capitalised in the year	**(4.6)**	(4.1)
Staff costs as a deduction to operating profit	**119.8**	101.2

1.5 Finance income

	Year ended 30 June 2021	Year ended 30 June 2020
	£m	£m
Interest on bank deposits	**1.1**	2.8
Other finance income	**0.3**	-
	1.4	2.8

1.6 Finance costs

	Year ended 30 June 2021	Year ended 30 June 2020
	£m	£m
Commitment fees	**0.3**	0.3
Interest incurred on lease payables	**0.7**	0.7
	1.0	1.0

1.7 Tax

	Year ended 30 June 2021	Year ended 30 June 2020
	£m	£m
Current tax: on profits for the year	**70.4**	64.9
Current tax: adjustments in respect of prior years	**(0.1)**	0.3
Deferred tax (note 2.4)	**(0.6)**	0.4
Deferred tax: adjustments in respect of prior years (note 2.4)	**-**	(0.5)
	69.7	65.1

Corporation tax is calculated at 19% of the estimated assessable profit for the year to 30 June 2021 (2020: 19%).

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 2021	Year ended 30 June 2020
	£m	£m
Deferred tax relating to share based payments	**(0.2)**	0.7
Current tax relating to share based payments	**1.1**	(0.9)
	0.9	(0.2)

Factors affecting tax charge for the year

It is expected that the ongoing effective tax rate will remain at a rate approximating to the standard UK corporation tax rate in the medium term, except for the impact of deferred tax arising from the timing of exercising of share options which is not under our control. Following the enactment of Finance Act 2021 the standard UK corporation tax rate will remain at 19% before increasing to 25% from 1 April 2023. Accordingly, the Group's taxable profits for this accounting year are taxed at 19%. Deferred tax has been recognised at either 19% or 25% depending on the rate expected to be in force at the time of the reversal of the temporary difference. This is an increase from the rate of only 19% used in the prior year. 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 2021.

Factors affecting future tax charge

Any increase or decrease to the share price of Hargreaves Lansdown plc will impact the amount of tax deduction available in future years on the value of shares acquired by staff under share incentive schemes.

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

	Year ended 30 June 2021	Year ended 30 June 2020
	£m	£m
Profit before tax	**366.0**	378.3
Tax at the standard UK corporate tax rate of 19.0% (2020: 19.0%)	**69.5**	71.9
Non-taxable income	**-**	-
Non-taxable gain on disposal of subsidiary	**-**	(7.4)
Items not allowable for tax	**0.5**	0.7
Adjustments in respect of prior years	**(0.1)**	0.1
Impact of the change in tax rate	**(0.2)**	(0.2)
Tax expense for the year	**69.7**	65.1
Effective tax rate	**19.0%**	17.2%

1.8 Earnings per share (EPS)

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in free issue during the year, including ordinary shares held in the Hargreaves Lansdown Employee Benefit Trust (EBT) reserve that have vested unconditionally with employees.

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

The weighted average number of anti-dilutive share options and awards excluded from the calculation of diluted earnings per share was nil at 30 June 2021 (2020: nil).

	Year ended 30 June 2021 £m	Year ended 30 June 2020 £m
Earnings		
Earnings for the purposes of basic and diluted EPS - net profit attributable to equity holders of the parent company	**296.7**	313.1
Number of shares		
Weighted average number of ordinary shares	**474,318,625**	474,318,625
Weighted average number of shares held by HL EBT	**(532,185)**	(527,322)
Weighted average number of shares held by HL EBT that have vested unconditionally with employees	**4,335**	44,555
Weighted average number of ordinary shares for the purposes of basic EPS	**473,790,775**	473,835,858
Weighted average number of dilutive share options held by HL EBT that have not vested unconditionally with employees	**754,901**	989,475
Weighted average number of ordinary shares for the purposes of diluted EPS	**474,545,676**	474,825,333
Earnings per share	**Pence**	Pence
Basic EPS	**62.6**	66.1
Diluted EPS	**62.5**	65.9
Underlying basic EPS[1]	**62.6**	57.9
Underlying diluted EPS[1]	**62.5**	57.8

SECTION 2: ASSETS & LIABILITIES

Consolidated Statement of Financial Position as at 30 June 2021

	Note	At 30 June 2021 £m	At 30 June 2020 £m
ASSETS			
Non-current assets			
Goodwill		**1.3**	1.3
Other intangible assets		**33.6**	28.0
Property, plant and equipment		**28.6**	33.2
Deferred tax assets	2.4	**3.7**	3.1
		67.2	65.6
Current assets			
Investments	2.1	**0.9**	0.6
Trade and other receivables	2.2	**869.2**	973.2
Cash and cash equivalents	2.3	**445.3**	235.9
Derivative financial instruments		**-**	0.1
Current tax assets		**1.5**	0.7
		1,316.9	1,210.5
Total assets		**1,384.1**	1,276.1
LIABILITIES			
Current liabilities			
Trade and other payables	2.5	**774.0**	696.7
Derivative financial instruments		**-**	0.1
		774.0	696.8
Net current assets		**542.9**	513.7
Non-current liabilities			
Provisions		**2.7**	0.8
Non-current liabilities	2.5	**-**	1.0
Non-current lease liabilities		**15.0**	19.9
Total liabilities		**791.7**	718.5
Net assets		**592.4**	557.6
EQUITY			
Share capital		**1.9**	1.9
Shares held by EBT reserve		**(4.8)**	(6.4)
EBT reserve		**(3.1)**	(1.9)
Retained earnings		**599.5**	564.6
Total equity, attributable to the owners of the parent		**593.5**	558.3
Non-controlling interest		**(1.1)**	(0.7)
Total equity		**592.4**	557.6

2.1 Investments

	Year ended 30 June 2021	Year ended 30 June 2020
	£m	£m
At beginning of year	**0.6**	1.1
Purchases	**2.1**	-
Disposals	**(1.8)**	(0.5)
At end of year	**0.9**	0.6
Comprising:		
Current asset investment - UK listed securities valued at quoted market price	**0.9**	0.6

£0.9million (2020: £0.6 million) of investments are classified as held at fair value through profit and loss, being deal-related short-term investments.

Investment balances are short-term positions the Group takes as a result of deals placed either in error or due to having to take positions where clients are no longer able to hold an investment. The gross gains and losses in relation to fair value include movements where no investment position is taken and are as shown below:

	Year ended 30 June 2021	Year ended 30 June 2020
	£m	£m
Gross gains	**1.5**	0.6
Gross losses	**(8.1)**	(2.2)
At end of year	**(6.6)**	1.6

2.2 Trade and other receivables

	Year ended 30 June 2021	Year ended 30 June 2020
	£m	£m
Financial assets		
Trade receivables	**744.5**	663.8
Term Deposits	**60.0**	230.0
Accrued income	**46.7**	64.6
Other receivables	**4.1**	2.6
	855.3	961.0
Non-financial assets		
Prepayments	**13.9**	12.2
	869.2	973.2

In accordance with market practice, certain balances with clients, Stock Exchange member firms and other counterparties totalling £704.8 million (2020: £642.0 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 £936.0 million (2020: £865.8 million) and the gross amount offset in the statement of financial position with trade payables is £231.1 million (2020: £223.8 million). Other than counterparty balances, trade receivables primarily consist of fees and amounts owed by clients and renewal commission owed by fund management groups. There are no balances where there is a legal right of offset but not a right of offset in accordance with accounting standards, and no collateral has been posted for the balances that have been offset.

Given the short term nature of the Group's receivables and the expectation of the Group in relation to its counterparties, there has been no material expected credit loss recognised in the period.

The Group does not have any contract assets in respect of its revenue contracts with customers (2020: nil).

2.3 Cash and cash equivalents

	Year ended 30 June 2021 £m	Year ended 30 June 2020 £m
Cash and cash equivalents		
Group cash and cash equivalent balances	**443.5**	232.8
Restricted cash – balances held by EBT	**1.8**	3.1
	445.3	235.9

At 30 June 2021, 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 £7,243 million (2020: £7,506 million). In addition, there were pension trust and currency service cash accounts held on behalf of clients not governed by the client money rules of £5,621 million (2020: £6,254million). The client retains the beneficial interest in both these deposits and cash accounts, and accordingly, they are not included in the statement of financial position of the Group.
Restricted cash balances relate to the balances held within the HL Employee Benefit Trust. These are strictly held for the purpose of purchasing shares to satisfy options under the Group's share option schemes.

2.4 Deferred tax assets

Deferred tax assets arise because of temporary timing differences only. The following are the major deferred tax assets recognised and movements thereon during the current and prior reporting years. Deferred tax has been recognised at either 19% or 25% depending upon the rate expected to be in force at the time of the reversal of the temporary difference.

	Fixed assets tax relief	**Share-based payments**	**Other deductible temporary differences**	**Total**
	£m	**£m**	**£m**	**£m**
At 1 July 2019	0.3	3.3	0.2	**3.8**
Charge to income	(0.2)	0.3	(0.1)	**-**
Charge to equity	-	(1.2)	0.5	**(0.7)**
At 30 June 2020	0.1	2.4	0.6	**3.1**
Charge to income	0.2	0.3	0.1	**0.6**
Charge to equity	-	(0.2)	0.2	**-**
At 30 June 2021	0.3	2.5	0.9	**3.7**
Deferred tax expected to be recovered or settled:				
Within 1 year after reporting date	0.1	0.9	0.8	**1.8**
> 1 year after reporting date	0.2	1.6	0.1	**1.9**
	0.3	2.5	0.9	**3.7**

2.5 Trade and other payables

	Year ended 30 June 2021	Year ended 30 June 2020
	£m	£m
Financial liabilities		
Trade payables	**712.5**	637.1
Accruals	**21.1**	22.3
Current lease liabilities	**4.8**	3.3
Other payables	**28.9**	26.3
	767.3	689.0
Non-financial liabilities		
Deferred income	**0.4**	0.4
Social security and other taxes	**6.3**	7.3
	774.0	696.7

	Year ended 30 June 2021	Year ended 30 June 2020
	£m	£m
Non-current financial liabilities		
Other payables	**-**	1.0
	-	1.0

In accordance with market practice, certain balances with clients, Stock Exchange member firms and other counterparties totalling £694.6 million (2020: £634.8 million) are included in trade payables, similar to the treatment of trade receivables. As stated in note 2.2 above, where we have a legal right of offset and the ability and intention to settle net, trade payable balances have been presented net.

Other payables principally comprise amounts owed to staff as a bonus and rebates due to the regulated funds operated by the Group. Accruals and deferred income principally comprise amounts outstanding for trade purchases and receipts from clients, where cash is received in advance for certain services. The decrease in the current year is in relation to the sale of FundsLibrary Limited, which was responsible for the majority of the deferred income balance.

2.6 Long term liabilities

	Year ended 30 June 2021	Year ended 30 June 2020
	£m	£m
Cash and cash equivalents		
Lease liabilities longer than 12 months	**15.0**	**19.9**

SECTION 3: EQUITY

Consolidated Statement of Changes in Equity for the year ended 30 June 2021

	Attributable to the owners of the Parent						
	Share capital	Shares held by EBT reserve	EBT reserve	Retained earnings	**Total**	Non-controlling interest	**Total equity**
	£m	£m	£m	£m	**£m**	£m	**£m**
At 1 July 2019	1.9	(3.4)	1.5	457.9	**457.9**	1.4	**459.3**
Impact of change in accounting policy for adoption of IFRS 16	-	-	-	(3.5)	**(3.5)**	-	**(3.5)**
Revised balance as at 1 July 2019	1.9	(3.4)	1.5	454.4	**454.4**	1.4	**455.8**
Total comprehensive income[1]	-	-	-	313.1	**313.1**	0.1	**313.2**
Change to non-controlling interest	-	-	-	-	**-**	(2.2)	**(2.2)**
Employee Benefit Trust							
Shares sold in the year	-	11.9	-	-	**11.9**	-	**11.9**
Shares acquired in the year	-	(14.8)	-	-	**(14.8)**	-	**(14.8)**
EBT share sale	-	-	(6.2)	-	**(6.2)**	-	**(6.2)**
Reserve transfer on exercise of share options	-	-	2.8	(2.8)	**-**	-	**-**
Employee share option scheme							
Share-based payments expense	-	-	-	3.6	**3.6**	-	**3.6**
Current tax effect of share based payments	-	-	-	0.9	**0.9**	-	**0.9**
Deferred tax effect of share based payments	-	-	-	(1.3)	**(1.3)**	-	**(1.3)**
Dividend paid (Note 3.2)	-	-	-	(203.3)	**(203.3)**	-	**(203.3)**
At 30 June 2020	1.9	(6.3)	(1.9)	564.6	**558.3**	(0.7)	**557.6**
Total comprehensive income[1]	-	-	-	296.7	**296.7**	(0.4)	**296.3**
Employee Benefit Trust							
Shares sold in the year	-	9.3	-	-	**9.3**	-	**9.3**
Shares acquired in the year	-	(7.8)	-	-	**(7.8)**	-	**(7.8)**
EBT share sale	-	-	(4.9)	-	**(4.9)**	-	**(4.9)**
Reserve transfer on exercise of share options	-	-	3.7	(3.7)	**-**	-	**-**
Employee share option scheme							
Share-based payments expense	-	-	-	4.5	**4.5**	-	**4.5**
Current tax effect of share based payments	-	-	-	1.1	**1.1**	-	**1.1**
Deferred tax effect of share based payments	-	-	-	(0.2)	**(0.2)**	-	**(0.2)**
Dividend paid (Note 3.2)	-	-	-	(263.5)	**(263.5)**	-	**(263.5)**
At 30 June 2021	1.9	(4.8)	(3.1)	599.5	**593.5**	(1.1)	**592.4**

1 Total comprehensive income includes Profit for the year and the total comprehensive income presented is equal to Profit in both years presented.

3.1 Share capital

	Year ended 30 June 2021	Year ended 30 June 2020
	£m	£m
Authorised: 525,000,000 (2020: 525,000,000) ordinary shares of 0.4p each	**2.1**	2.1
Issued and fully paid: ordinary shares of 0.4p each	**1.9**	1.9
	Shares	Shares
Issued and fully paid: number of ordinary shares of 0.4p each	**474,318,625**	474,318,625

The Company has one class of ordinary shares which carry no right to fixed income.

The shares held by the EBT reserve represents the cost of shares in Hargreaves Lansdown plc purchased in the market and held by the Hargreaves Lansdown EBT to satisfy options under the Group's share option schemes.

The EBT reserve represents the cumulative gain on disposal of investments held by the HL EBT. The reserve is not distributable by the Company as the assets and liabilities of the EBT are subject to management by the Trustees in accordance with the EBT trust deed.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein.

Non-controlling interests consist of the minority's proportion of the net fair value of the assets and liabilities acquired at the date of the original business combination and the non-controlling interest's change in equity since that date. The non-controlling interest represents a 7.5% shareholding in Hargreaves Lansdown Savings Limited, which is a subsidiary of the Company.

3.2 Dividends

Amounts recognised as distributions to equity holders in the year:

	Year ended 30 June 2021	Year ended 30 June 2020
	£m	£m
2020 final dividend of 26.3p (second interim dividend 2019: 23.4p) per share	**124.7**	110.9
2020 special dividend of 17.4p (2019: 8.3p) per share	**82.4**	39.3
2021 interim dividend of 11.9p (2020: 11.2p) per share	**56.4**	53.1
Total dividends paid during the year	**263.5**	203.3

After the end of the reporting period, the Directors declared a final ordinary dividend of 26.6 pence per share and a special dividend of 12.0 pence per share payable on 20 October 2021 to shareholders on the register on 24 September 2021. 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 2021 financial statements as follows:

	£m
2021 final dividend of 26.6p (2020 final dividend: 26.3p) per share	**126.0**
2021 special dividend of 12.0p (2020 special dividend: 17.4p) per share	**56.9**
Total dividend	**182.9**

The payment of these dividends will not have any tax consequences for the Group.

Under an arrangement dated 30 June 1997 the Hargreaves Lansdown Employee Benefit Trust, which held the following number of ordinary shares in Hargreaves Lansdown plc at the date shown, has agreed to waive all dividends.

	Year ended 30 June 2021	Year ended 30 June 2020
	No. of shares	No. of shares
Number of shares held by the Hargreaves Lansdown EBT	**482,008**	571,856
Representing % of called-up share capital	**0.10%**	0.12%

SECTION 4: CONSOLIDATED STATEMENT OF CASH FLOWS

Consolidated Statement of Cash Flows for the year ended 30 June 2021

	Note	**Year ended 30 June 2021 £m**	Year ended 30 June 2020 £m
Net cash from operating activities			
Profit for the year after tax		**296.3**	313.2
Adjustments for:			
Income tax expense		**69.7**	65.1
Gain on disposal of subsidiary		**-**	(38.8)
Depreciation of plant and equipment		**9.0**	8.4
Amortisation of intangible assets		**6.1**	5.2
Impairment of intangible assets		**1.2**	-
Share-based payment expense		**4.5**	3.6
Interest accrued on lease liabilities		**0.7**	0.7
Gain on termination of lease		**(0.3)**	-
Increase in provisions		**2.0**	0.1
Operating cash flows before movements in working capital		**389.2**	357.5
Increase / (decrease) in receivables		**(66.0)**	(209.6)
(Decrease) / increase in payables		**75.8**	208.9
Increase in derivative liabilities		**(0.1)**	0.1
Cash generated from operations		**398.9**	356.9
Income tax paid		**(70.3)**	(91.5)
Net cash generated from operating activities		**328.6**	265.4
Investing activities			
(Increase) / decrease in short term deposits		**170.0**	(15.0)
Proceeds on disposal of investment		**(0.3)**	0.5
Purchase of property, plant and equipment		**(5.4)**	(5.8)
Purchase of intangible assets		**(12.8)**	(10.1)
Proceeds on disposal of subsidiary		**0.2**	38.2
Net cash generated from / (used in) investing activities		**151.7**	7.8
Financing activities			
Purchase of own shares in EBT		**(7.7)**	(14.8)
Proceeds on sale of own shares in EBT		**4.3**	5.8
Payment of principal in relation to lease liabilities		**(4.0)**	(4.3)
Dividends paid to owners of the parent		**(263.5)**	(203.3)
Net cash used in financing activities		**(270.9)**	(216.6)
Net increase / (decrease) in cash and cash equivalents		**209.4**	56.6
Cash and cash equivalents at beginning of year	2.3	**235.9**	179.3
Cash and cash equivalents at end of year	2.3	**445.3**	235.9

The adoption of IFRS 16 and adjustments made in relation to the adoption of that standard have had no impact on cash flows. As a result the value of current lease liabilities included in other payables does not impact the change in payables in the current period.

4.1 Disposal of subsidiary

There were no disposals in the current year and the below disclosures are presented for comparison only.

On 28 February 2020 the group disposed of its interest in FundsLibrary Limited (FundsLibrary) to Broadridge Financial Solutions Inc. The group held 78% of the total share capital of FundsLibrary Limited and received £48.8m for its holding. The carrying amount of the assets and liabilities of FundsLibrary Limited at the date of disposal were as follows:

	Year ended 30 June 2020 £m
Tangible fixed assets	**0.7**
Intangible assets	**0.1**
Cash	9.3
Trade receivables	3.6
Current liabilities	(2.4)
Non-current liabilities	(0.5)
Net assets disposed of	10.8
Non-controlling interest	(2.1)
Net assets controlled by Group	8.7
Total consideration received by Group	48.8
Costs to sell	(1.3)
Gain on disposal included in Consolidated Income Statement	38.8

Total Consideration	**Year ended 30 June 2020 £m**
Satisfied by:	
Cash and cash equivalents	**48.8**
Net cash flow arising on disposal	
Consideration received in cash and cash equivalents	48.8
Less: cash and cash equivalents disposed of	9.3
Less: cash paid in relation to costs to sell	1.3
	38.2

The results of FundsLibrary which have been included in the profit for the year, were as follows:

	Year ended 30 June 2020 £m
Revenue	6.5
Expenses	(4.7)
Profit before tax	1.8
Attributable tax expense	(0.3)
Net profit attributable to FundsLibrary (attributable to the Owners of the Company)	1.5
Net profit attributable to non-controlling interest	0.3
Net profit attributable to owners of the parent	1.2

Section 5: OTHER NOTES

5.1 General information

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

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

Basis of preparation

These financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 ('IFRS') and the applicable legal requirements of the Companies Act 2006. In addition to complying with international accounting standards in conformity with the requirements of the Companies Act 2006, the consolidated financial statements also comply with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

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.

These results do not represent the audited full final statements of the Group

Going concern

The Group maintains ongoing forecasts that indicate continued profitability in the 2022 financial year. Stress test scenarios are undertaken, the outcomes of which show that the Group has adequate capital resources for the foreseeable future even in 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 will remain highly liquid in the forthcoming financial year. The Directors therefore believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook. After making enquiries, the Directors' expectation is that the Group will have adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of the Group Financial statements. Accordingly, they continue to adopt the going concern basis in preparing this preliminary results statement.

5.2 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 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 2021 and 30 June 2020 the Company has been party to a lease with P K Hargreaves, a significant shareholder and former director, for rental of the old head office premises at Kendal House. A ten-year lease was signed on 6 April 2011 for a rental of part of the building, to be used for disaster recovery purposes at a market rate rent of £0.1 million per annum. In April 2021 a new 5 year lease was entered into. No amount was outstanding at either year end.

During the years ended 30 June 2021 and 30 June 2020, the Group has provided a range of investment services in the normal course of business to shareholders on normal third-party business terms. Directors and staff are eligible for a slight discount on some of the services provided.

Remuneration of key management personnel
The remuneration of the key management personnel of the Group, being those personnel who were either a member of the Board of a Group company or a member of the Executive Committee during the relevant year shown below, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

	Year ended 30 June 2021 £m	Year ended 30 June 2020 £m
Short-term employee benefits	8.9	10.3
Post-employment benefits	0.3	0.2
Share-based payments	2.6	2.2
	11.8	12.7

In addition to the amounts on the prior page, four key management personnel (2020: four) received gains of £0.6 million (2020: £0.6 million) as a result of exercising share options. During the year, awards were made under the executive option schemes for 9 key management personnel (2020: 9).

Included within the previous table are the following amounts paid to Directors of the Company who served during the relevant year. Full details of Directors' remuneration, including numbers of shares exercised, are shown in the Directors' remuneration report.

	Year ended 30 June 2021 £m	Year ended 30 June 2020 £m
Short-term employee benefits	**4.4**	4.7
Share-based payments	**1.5**	0.6
	5.9	5.3

In addition to the amounts above, Directors of the Company received gains of £0.2 million relating to the exercise of share options (2020: £0.2 million).

	Year ended 30 June 2021 £m	Year ended 30 June 2020 £m
Emoluments of the highest paid Director	**2.7[1]**	2.7[1]
	No.	No.
Number of Directors who exercised share options during the year	**1**	1
Number of Directors who were members of money purchase pension schemes	**1**	1

1 The highest paid Director was the Chief Executive Officer and full details of his emoluments can be found in the audited 'Remuneration payable' table in the Directors' remuneration report.

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

5.3 Non-statutory accounts

The consolidated financial information as noted in this document does not constitute the Group's statutory financial statements for the years ended 30 June 2021 or 30 June 2020, but is derived from them. Statutory financial statements for 2020 have been delivered to the registrar of companies and those for 2021 will be delivered in due course. The auditors have reported on both sets of financial statements and their report was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 of the Companies Act 2006.

Section 6: STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and the company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. Additionally, the Financial Conduct Authority's Disclosure Guidance and Transparency Rules require the directors to prepare the group financial statements in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

The company has also prepared financial statements in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Under company law, 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 company and of the profit or loss of the group for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

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

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

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.

Directors' confirmations

Each of the directors, whose names are listed below confirm that, to the best of their knowledge:

- the group and company financial statements, which have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the group and profit of the company; and
- the Directors' Report and Strategic Report contained in the Report and Financial Statements includes a fair review of the development and performance of the business and the position of the group and company, together with a description of the principal risks and uncertainties that it faces.

By order of the Board

Philip Johnson
Chief Financial Officer
8 August 2021

Executive Directors

Chris Hill
Philip Johnson

Non-Executive Directors

Deanna Oppenheimer
Andrea Blance
Adrian Collins
Moni Mannings
Dan Olley
Roger Perkin
John Troiano

Section 7: PRINCIPAL RISKS AND UNCERTAINTIES

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

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

Strategic risks

Ineffective business strategy				
Risk	**Potential impact**	**Mitigations**	**Key risk indicators**	**2020/21 activity**
Risk that HL does not align propositions and activity with HL's strategic objectives.	• Erosion of shareholder value • Negative impact on achievement of AUA and client number strategic targets • Negative impact on our reputation as an innovative market leader	• The Executive team and Board discuss strategy in the context of propositional design and service enhancement on a regular basis • Dedicated proposition/client experience team • Testing of propositions with clients and potential clients • Product governance process • Regular client experience reviews by the Executive • An operational plan is in place prioritising development	• NNB v forecast • Net Promoter Score • Client Retention • Service rating • Complaints • Risk Events	• Launched additional Segregated Mandates in HL Fund Managers • Launched Active Savings Cash ISA • Investment Pathways • Faster Payments • ESG review resulted in the addition of two new responsible investment fund options to the Wealth Shortlist

Market dynamics/landscape				
Risk	**Potential impact**	**Mitigations**	**Key risk indicators**	**2020/21 activity**
Risk that HL revenue is adversely affected by market levels impacting strategic expectations, resulting in erosion of shareholder value.	• Reduced AUA and AUM Negative impact on HL revenue	• Diversified revenue streams • The Group's business model comprises both recurring platform revenue and transaction-based revenue • Monitoring of client service, satisfaction data • Executive Committee, Treasury Committee and Finance Reporting • Liquidity policy and associated controls oversight	• Interest rates • FTSE 100 • Daily management information • Client metrics (Net, new and retention)	• Marketing Campaigns • Prioritisation for internal investment on service, technology & risk • Ongoing discussion in the Executive Committee • Surge in share dealing volumes at times of market volatility • Significant rise in markets post Vaccine Monday • Drop in net interest income following interest rate reductions and yield curve decline

Operational risks

IT Operational Environment				
Risk	**Potential impact**	**Mitigations**	**Key risk indicators**	**2020/21 activity**
Risk that HL fails to manage and maintain existing technological architecture, environment or components effectively that are key to operational delivery.	• Inability to maintain operational efficiency • Increased costs • Poor client outcomes • Reputational damage	• IT Architecture plan • Rolling internal and external monitoring of IT environment • Operational Plan, including prioritisation of IT development • Identification of contingency providers for technology	• Unplanned downtime of client facing applications • Status of critical projects • Core system monitoring • System patching status • Technology risk events	• Continued development and evolution of our core architecture and the overseas dealing functionality • Platform security improvements • Enhanced monitoring of technology environments • Further technology risk oversight developed • Refresh of technology strategy

Operational delivery core				
Risk	**Potential impact**	**Mitigations**	**Key risk indicators**	**2020/21 activity**
Risk that HL fails to design or implement appropriate policies, processes or technology.	• Incorrect or inefficient delivery of activities • Regulatory or policy breaches • Poor client outcomes • Financial losses including compensation • Reputational damage	• Group Risk Management Framework • Ongoing First Line of Defence monitoring of controls, control testing and self- assessment • Process manuals and process mapping • Training and development • Operational MI • Control focus at key governance forums, including: CASS Committee, Executive Risk Committee and Board Risk Committee	• Risk events and Compliance breach monitoring • Regulatory scrutiny or issues • Third party breaches • Complaints referred to and upheld by FOS • Service level monitoring • Helpdesk call quality • Employee retention rates • Operational processing transaction errors	• Process improvements across operational functions • IT solutions to reduce dependency on paper and increase efficiency of AML processes • Increased automation linked to drawdown calculations • Improved payments solution • Improved workforce planning

Regulatory and Legal Compliance				
Risk	**Potential impact**	**Mitigations**	**Key risk indicators**	**2020/21 activity**
Risk that required regulatory change is not implemented to regulatory expectations or requirements. and or existing regulatory requirements are not met.	• Regulatory breaches • Increased regulatory scrutiny, enforcement action, censure or fines • FOS complaints and awards • Litigation • Reputational impact • Missed opportunities to achieve competitive advantage	• Compliance-led Horizon scanning and monitoring • Change Committee oversight • Compliance Plan • Internal Audit assurance • On-going open dialogue with the FCA	• Volume of new outputs from regulatory bodies • Number of regulatory change projects • Number of regulatory breaches	• CASS Improvement Plan • Restructure of Compliance function • Prioritisation of Change Portfolio

Financial crime				
Risk	**Potential impact**	**Mitigations**	**Key risk indicators**	**2020/21 activity**
Risk that HL fails to design or implement appropriate frameworks, including policies, processes or technology, to counter HL being used to further financial crime by either internal or external parties.	• Loss of sensitive data • Poor client outcomes (including fraud) • Negative impact on confidence in HL • Diminish the integrity of the financial system • • Regulatory censure	• Dedicated Chief Information Security Officer and team, and a Security Operations Centre focused on the detection, containment and remediation of information security threats • Dedicated Information Security, Anti Money laundering and Client Protection teams in place • Formal policies and procedures and a robust, rolling risk-based programme of penetration and vulnerability testing in place • Horizon scanning of peer group to understand industry trends	• Fraud monitoring • Cyber threat assessment • Time taken to address security vulnerabilities • Number of Information Commissioner's Office (ICO) notifiable data protection breaches	• A programme of training and awareness for all employees • Continuous cycle of cyber control improvements • Improvements to fraud monitoring • Phase 1 implementation of a third-party fraud monitoring tool • Programme of Market abuse and Client Protection risk reviews

Data				
Risk	**Potential impact**	**Mitigations**	**Key risk indicators**	**2020/21 activity**
Risk that HL fails to design or implement appropriate frameworks, including policies, processes or technology, to manage data and data storage.	• Loss of sensitive data • Poor client outcomes (including fraud) • Inefficient processing • Regulatory censure	• Dedicated Chief Information Security Officer and Data Protection Officer • Data Governance function • Data storage standards • Data usage standards	• Data related Risk Events • Data reporting issues • Data Privacy Impact Assessment completions • Cyber events • Fraud events	• Increase in data governance specialists • Creation of Data Governance Forum • Updated Data Strategy

Duties to Clients				
Risk	**Potential impact**	**Mitigations**	**Key risk indicators**	**2020/21 activity**
Risk that HL's culture and the HL values fail to support and appropriate client focused conduct by all colleagues, leading to poor client outcomes.	• Poor client outcomes • Negative reputational impact • Regulatory censure • Erosion of shareholder value • Negative impact on achievement of AUA and client number strategic targets	• Employee Communication and Training • Conduct and Risk policies • Risk and incident monitoring and review • Product Governance Committee • Corporate and social responsibility programme • Business-led diversity, inclusion and wellbeing programme of activity • Colleague Performance Development model • Whistle blowing process	• Glassdoor rating • Employee surveys • Client survey results • Colleague retention • Complaints • Clients cancelling a new product or service	• CEO Communications and client strategy • Improvements to Product Governance agenda • Improvements to core conduct related process and training, i.e. whistle blowing and the SMCR regime conduct breach process • HL Way used to reinforce HL 'values'

Operational Resilience				
Risk	**Potential impact**	**Mitigations**	**Key risk indicators**	**2020/21 activity**
Risk that HL fails to establish robust operational resilience solutions to support positive client outcomes	• Poor client outcomes • Operational inefficiencies or failures • Reputational damage	• Group wide project • Business Impact Analysis • Business Continuity Plans • Disaster Recovery Plans • Crisis Management Team • Desktop scenarios • Scenario based playbooks	• System downtime • Process failures • Crisis management response	• Recruitment of additional skilled SMEs • Further development of playbooks • Review and enhancements to crisis management & Incident management approaches • Regular training • Establishing a programme to deliver the regulatory requirements • Responding to the impacts of COVID-19

People				
Risk	**Potential impact**	**Mitigations**	**Key risk indicators**	**2020/21 activity**
Risk that HL fails to attract, retain, develop and motivate great people who are aligned to HL Values.	• Operational inefficiency or poor conduct • Poor client outcomes • Reputational damage	• Operational inefficiency or poor conduct • Poor client outcomes • Reputational damage	• Employee retention rates • Employee absence monitoring	• Updated contingency planning for key roles • Implementation of new internal communication plan • Leadership Development programme for all Senior leaders • People communications through HL Way to support HL Values • Responding to the impacts of COVID-19 on our colleagues

Glossary of Alternative Financial Performance Measures

Within the Announcement various Alternative Financial Performance Measures are referred to, which are non-GAAP (Generally Accepted Accounting Practice) measures. They are used in order to provide a better understanding of the performance of the Group and the table below states those which have been used, how they have been calculated and why they have been used.

Measure	Calculation	Why we use this measure
Activity costs	Total cost related to stockbroking and financial services costs on a transactional basis related to the volume of activity undertaken by our clients. This measure is the same as the dealing and financial services costs within note 1.3.	Provides further detail into the increasing costs that are associated with increasing client numbers and increasing transactional revenues, to allow comparison from year to year
Dividend pay-out ratio (%)	The total dividend per share divided by the basic Earnings Per Share (EPS) for a financial year.	Provides a measure of the level of profits paid out to shareholders and the level retained in the business.
Dividend per share (pence per share)	Total dividend payable relating to a financial year divided by the total number of shares eligible to receive a dividend. Note ordinary shares held in the Hargreaves Lansdown Employee Benefit Trust have agreed to waive all dividends (see Note 3.2 to the consolidated financial statements).	Dividend per share is pertinent information to shareholders and investors and provides them with the ability to assess the dividend yield of the Hargreaves Lansdown plc shares.
Ongoing revenue	Revenue that is received every month depending on the value of assets held on the platform, including platform fee, management fees and interest earned on client money.	We believe ongoing revenue provides greater profit resilience and hence is of higher quality than transactional revenue.
Operating profit margin	Profits after deducting operating costs but the impact of finance income and other gains or losses divided by revenue.	Provides a measure of profitability of the core operating activities and excludes non-core items.
Percentage of ongoing revenue (%)	The total value of renewal commission (after deducting loyalty bonuses), platform fees, management fees and interest earned on client money divided by the total Vantage revenue.	Provides a measure of the quality of our earnings. We believe ongoing revenue provides greater profit resilience and hence it is of higher quality.
Revenue margin (bps)	Total revenue divided by the average value of assets under administration which includes the Portfolio Management Services assets under management held in funds on which a platform fee is charged.	Provides the most comparable means of tracking, over time, the margin earned on the assets under administration and is used by management to assess business performance.
Revenue margin from cash (bps)	Revenue from cash (net interest earned on the value of client money held on the Vantage platform divided by the average value of assets under administration held as client money.	Provides a means of tracking, over time, the margin earned on cash held by our clients.
Revenue margin from funds (bps)	Revenue derived from funds held by clients (platform fees, initial commission less loyalty bonus) divided by the average value of assets under administration held as funds, which includes the Portfolio Management Services assets under management held in funds on which a platform fee is charged.	Provides the most comparable means of tracking, over time, the margin earned on funds held by our clients.
Revenue margin from HL Funds (bps)	Management fees derived from HL Funds (but excluding the platform fee) divided by the average value of assets held in the HL Funds.	Provides a means of tracking, over time, the margin earned on HL Funds.
Revenue margin from shares (bps)	Revenue from shares (stockbroking commissions, management fees where shares are held in a SIPP or ISA, less the cost of dealing errors) divided by the average value of assets under administration held as shares.	Provides a means of tracking, over time, the margin earned on shares held by our clients.
Third party data and technology costs	Costs associated with the use of third party software and data feeds used in the performance of daily business. The measure is the same as data and technology costs within note 1.3	Provides a means of understanding the impact that increasing or changing our proposition has on our costs.
Underlying profit before tax	Profit before tax excluding other gains outside of the normal course of business. In the current year, underlying profit before tax and profit before tax are the same. For the prior year, the figure is achieved by taking profit before tax and subtracting the gain on disposal as per note 4.1.	Provides the best measure for comparison of profit before tax between financial years.
Underlying earnings	Profit after tax attributable to equity holders of the parent company adjusted for the existence other gains outside of the normal course of business, such as the disposal of subsidiaries. In the current year, this is the same as profit after tax attributable to the equity holders of the parent company. In the prior year, this figure is achieved by taking profit after tax and subtracting the gain on disposal of a subsidiary as outlined in note 41.	The calculation of earnings per share using unadjusted profit after tax includes gains from transactions that are no repeated annually or that may not indicate the true performance of the business.
Transactional revenue	Revenue that is not ongoing in nature and dependent on a client instruction such as a deal to buy or sell shares or take advice.	Such revenue is not as high quality as ongoing revenue but helps to show the diversification of our revenue streams.
Underlying basic earnings per share	Underlying earnings divided by the weighted average number of ordinary shares for the purposes of basic EPS	The calculation of basic earnings per share using unadjusted profit after tax includes those gains that are not consistent from year to year
Underlying diluted earnings per share	Underlying earnings divided by the weighted average number of ordinary shares for the purposes of diluted EPS	The calculation of diluted earnings per share using unadjusted profit after tax includes those gains that are not consistent from year to year