Hargreaves Lansdown plc
Results for the year ended 30 June 2017

Highlights:

- Net new business of £6.9 billion
- Strong growth in Assets Under Administration, up 28% to £79.2 billion
- 954,000 active clients, an increase of 118,000 in the year
- Profit before tax increase of 21% to £265.8 million
- Ordinary dividend up 20% at 29.0 pence per share

	Year to 30 June 2017	Year to 30 June 2016	**Change %**
Net new business inflows	**£6.9bn**	£6.0bn	**+15%**
Total assets under administration	**£79.2bn**	£61.7bn	**+28%**
Net revenue*	**£385.6m**	£326.5m	**+18%**
Profit before tax	**£265.8m**	£218.9m	**+21%**
Diluted earnings per share	**44.6p**	37.3p	**+20%**
Ordinary dividend per share	**29.0p**	24.1p	**+20%**
Total dividend per share	**29.0p**	34.0p	**-15%**

Chris Hill, Chief Executive Officer, commented:

"We have had a good year for gathering new clients and assets as a result of our relentless focus on the exceptional service we provide. Key to this has been understanding the needs of our clients and expanding our range of solutions and services to help them. There are considerable challenges for people in the current saving and investment environment but there are also opportunities, and Hargreaves Lansdown is ideally placed to help people make their investment decisions with confidence."

About us:

Hargreaves Lansdown is the UK's largest direct to investor investment service administering £79 billion of investments for over 950,000 clients. Our purpose is to empower people to save and invest with confidence. We aim to provide a lifelong, secure home for people's savings and investments that offers great value, an incredible service and makes their financial life easy.

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Hargreaves Lansdown

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Analysts' presentation

Hargreaves Lansdown will be hosting an investor and analyst presentation at 9.00am on 15 August 2017 following the release of the results for the year ended 30 June 2017. To attend the presentation contact james.found@hl.co.uk. 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 financial performance measures**

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 2017. These measures are listed along with the calculations to derive them and an explanation of why we use them on page 22 in the Glossary of Alternative Financial Performance Measures. An explanation of why we use these adjusted measures is given in the Operating and Financial Review section along with a reconciliation to profit before tax.

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

Clients at the heart of how we operate

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

2017 highlights

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

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

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

Developing our client offering

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

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

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

Expanding our digital footprint is a key strategic drive: we received 138.4 million digital visits for the year to June 17 (up 31% on last year). An important enhancement this year was the launch of our new mobile app in February. Mobile functionality is no longer an optional extra, it is essential for people who want to manage their investments. The app has been well received and we are getting great feedback from users. We have now had over 486,000 downloads, and the additional functionality that enables clients to place cash with us has resulted in £72 million being added to the Vantage platform. The introduction of Touch ID as a means to login has also seen a change in client behaviour with more frequent engagement with their investments. As a result, we now see more digital contact from mobile devices and app visits than through our traditional desktop site.

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

Delivering our strategy

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

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

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

Looking forward

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

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

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

Chris Hill

Chief Executive Officer
14 August 2017

1 Source: Compeer Limited XO Quarterly Benchmarking Report Quarter 2 2016 and Quarter 2 2017
2 Net Promoter, NPS and the NPS-related emoticons are registered service marks and Net Promoter Score and Net Promoter Systems are service marks of Bain & Company Inc., Satmetrix Systems, Inc. and Fred Reichheld
3 "Mind the Gap" (Aviva and Deloitte, September 16)
4 Source: Platforum UK D2C Guide (July 2017)

Operating and Financial Review

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

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

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

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

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

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

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

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

Financial performance

Income Statement

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

Net revenue

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

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

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

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

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

Net Revenue Margins

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

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

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

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

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

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

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

Operating costs

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

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

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

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

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

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

Other costs rose by £5.4 million to £30.6 million (2016: £25.2 million). The key drivers of this were additional dealing costs resulting from higher share dealing transaction volumes, increased professional fees and irrecoverable VAT on non-staff expenses. Office running costs are included within this line and decreased from £4.8 million to £4.2 million due to rebates received on previous years' business rates.

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

Profit before tax

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

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

Tax

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

Earnings per share

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

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

Liquidity and capital management

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

Liquidity

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

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

Capital

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

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

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

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

Clarification of dividend policy and 2017 declarations

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

Dividend (pence per share)	**2017**	2016
First interim dividend paid	**8.6p**	7.8p
Final/second interim dividend declared	**20.4p**	16.3p
Total ordinary dividend	**29.0p**	24.1p
Special dividend	**-**	9.9p
Total dividend	**29.0p**	34.0p

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

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

Viability statement

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

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

Philip Johnson
Chief Financial Officer
14 August 2017

SECTION 1: RESULTS FOR THE YEAR

Consolidated Income Statement for the year ended 30 June 2017

	Note	**Year ended 30 June 2017**	Year ended 30 June 2016
		£m	£m
Revenue		**385.7**	388.3
Commission payable		**(0.1)**	(61.8)
Net revenue	1.1	**385.6**	326.5
Fair value gains on derivatives		**2.2**	-
Operating costs	1.3	**(126.7)**	(108.2)
Operating profit		**261.1**	218.3
Finance income	1.5	**1.2**	0.6
Other gains	1.6	**3.5**	-
Profit before tax		**265.8**	218.9
Tax	1.7	**(53.8)**	(41.6)
Profit for the financial year		**212.0**	177.3
Attributable to:			
Owners of the parent		**211.7**	176.9
Non-controlling interest		**0.3**	0.4
		212.0	177.3
Earnings per share			
Basic earnings per share (pence)	1.8	**44.7**	37.4
Diluted earnings per share (pence)	1.8	**44.6**	37.3

The results relate entirely to continuing operations.

Consolidated Statement of Comprehensive Income for the year ended 30 June 2017

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

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

1.2 Segmental reporting

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

In the current period, consideration has been given to the nature of the operating segments previously disclosed and it is the view of the Board and of the Executive Committee that there is in fact only one segment, being the Group - a direct–to-investor investment service administering investments in ISA, SIPP and Fund & Share accounts, providing services for individuals and corporates. It was considered that segmental reporting, as previously presented, did not provide a clearer or more accurate view of the reporting within the Group. Given that only one segment exists, no additional information is presented in relation to it, as it is disclosed throughout these financial statements.

The Group does not operate in more than one location and as a result, no geographical segments are reported.

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

1.3 Operating costs

Operating profit has been arrived at after charging:	**Year ended 30 June 2017 £m**	Year ended 30 June 2016 £m
Depreciation of owned plant and equipment	**3.8**	3.5
Amortisation of other intangible assets	**2.3**	1.7
Marketing and distribution costs	**14.3**	11.2
Operating lease rentals payable – property	**2.5**	2.4
Other operating costs	**35.2**	29.2
Staff costs (See note 1.4)	**68.6**	60.2
Operating costs	**126.7**	108.2

1.4 Staff costs

	Year ended 30 June 2017	Year ended 30 June 2016
The average monthly number of employees of the Group (including executive Directors) was:	**No.**	No.
Operating and support functions	**709**	660
Administrative functions	**334**	309
	1,043	969
Their aggregate remuneration comprised:	**£m**	£m
Wages and salaries	**55.3**	49.3
Social security costs	**6.6**	5.9
Share-based payment expenses	**4.1**	2.5
Other pension costs	**5.3**	4.8
Staff costs	**71.3**	62.5
Capitalised in the year	**(2.7)**	(2.3)
Staff costs as a deduction to operating profit	**68.6**	60.2

1.5 Finance income

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

1.6 Other gains

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

In April 2017, the Group entered into an agreement to sell 6,030 shares in Euroclear plc, its entire holding, for €750 per share – see note 2.1 for further details. A disposal of shares in a subsidiary company also took place in the year.
In addition, the Group has disposed of a number of items of office equipment in the period, for no proceeds, leading to a loss.

1.7 Tax

	Year ended 30 June 2017 £m	Year ended 30 June 2016 £m
Current tax: on profits for the year	**52.4**	40.8
Current tax: adjustments in respect of prior years	**1.6**	(0.5)
Deferred tax (note 2.4)	**(0.4)**	0.2
Deferred tax: adjustments in respect of prior years (note 2.4)	**0.1**	1.1
Deferred tax: adjustments due to changes in tax rates	**0.1**	-
	53.8	41.6

Corporation tax is calculated at 19.75% of the estimated assessable profit for the year to 30 June 2017 (2016: 20.00%).

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

Factors affecting tax charge for the year

It is expected that the ongoing effective tax rate will remain at a rate approximating to the standard UK corporation tax rate in the medium term except for the impact of deferred tax arising from the timing of exercising of share options which is not under our control. The standard UK corporation tax rate was reduced to 19% (from 20%) on 1 April 2017 and accordingly the Group’s profits for this accounting year are taxed at an effective rate of 19.6%. Deferred tax has been recognised at 19% or 17%, being the rates expected to be in force at the time of the reversal of the temporary difference. A deferred tax asset in respect of future share option deductions has been recognised based on the Company’s share price as at 30 June 2017.

Factors affecting future tax charge

Any increase or decrease to the Parent Company's share price will impact the amount of tax deduction available in future years on the value of shares acquired by staff under share incentive schemes. The Finance Act 2015 was enacted on 18 November 2015 and has reduced the standard rate of UK corporation tax to 19% from 1 April 2017 and to 18% from 1 April 2020. A planned reduction in the rate to 17% from 2020, was enacted on 1 April 2017.

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

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

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 1,213,461 at 30 June 2017 (2016: 1,285,073).

	Year ended 30 June 2017 £m	Year ended 30 June 2016 £m
Earnings		
Earnings for the purposes of basic and diluted EPS - net profit attributable to equity holders of the parent company	**211.7**	176.9
Number of shares		
Weighted average number of ordinary shares	**474,318,625**	474,318,625
Weighted average number of shares held by HL EBT	**(926,356)**	(1,976,360)
Weighted average number of shares held by HL EBT that have vested unconditionally with employees	**1,010,585**	559,604
Weighted average number of ordinary shares for the purposes of basic EPS	**474,402,854**	472,901,869
Weighted average number of dilutive share options held by HL EBT that have not vested unconditionally with employees	**562,587**	1,818,222
Weighted average number of ordinary shares for the purposes of diluted EPS	**474,965,441**	474,720,091
Earnings per share	**Pence**	Pence
Basic EPS	**44.7**	37.4
Diluted EPS	**44.6**	37.3

SECTION 2: ASSETS & LIABILITIES

Consolidated Statement of Financial Position as at 30 June 2017

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

2.1 Investments

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

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

At 30 June 2017 £nil (2016: £0.3 million) are classified as available-for-sale. During the year, the investment previously held as available-for-sale, was sold for £4.0 million. This led to a gain of £3.7 million, with the investment previously having been held at cost, which has been recognised in the consolidated income statement in the year (see Note 1.6).

2.2 Trade and other receivables

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

In accordance with market practice, certain balances with clients, Stock Exchange member firms and other counterparties totalling £378.6 million (2016: £560.9 million) are included in trade receivables. These balances are presented net where there is a legal right of offset and the ability and intention to settle net. The gross amount of trade receivables is £483.4 million (2016: 718.0 million) and the gross amount offset in the statement of financial position with trade payables is £104.8 million (2016: 157.2 million). Other than counterparty balances, trade receivables primarily consist of fees and amounts owed by clients and renewal commission owed by fund management groups. There are no balances where there is a legal right of offset but not a right of offset in accordance with accounting standards, and no collateral has been posted for the balances that have been offset.

2.3 Cash and cash equivalents

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

At 30 June 2017, segregated deposit amounts held by the Group on behalf of clients in accordance with the client money rules of the Financial Conduct Authority amounted to £8,243 million (2016: £6,953 million). In addition there were currency service cash accounts held on behalf of clients not governed by the client money rules of £13.4 million (2016: £18.0 million). The client retains the beneficial interest in both these deposits and cash accounts, and accordingly, they are not included in the statement of financial position of the Group.

2.4 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 19% or 17%, being the rate expected to be in force at the time of the reversal of the temporary difference.

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

2.5 Trade and other payables

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

In accordance with market practice, certain balances with clients, Stock Exchange member firms and other counterparties totalling £374.9 million (2016: £555.5 million) are included in trade payables, similarly with the treatment of trade receivables. As stated in Note 2.2 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 revenue received but not yet earned on corporate pension schemes, where an ongoing service is still being provided.

SECTION 3: EQUITY

Consolidated Statement of Changes in Equity for the year ended 30 June 2017

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

3.1 Share capital

	Year ended 30 June 2017 £m	Year ended 30 June 2016 £m
Authorised: 525,000,000 (2016: 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 plc EBT to satisfy options under the Group's share option schemes.

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

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

3.2 Dividends

Amounts recognised as distributions to equity holders in the year:

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

After the end of the reporting period, the Directors declared a final ordinary dividend of 20.4 pence per share payable on 20 October 2017 to shareholders on the register on 29 September 2017. Dividends are required to be recognised in the financial statements when paid, and accordingly the declared dividend amounts are not recognised in these financial statements, but will be included in the 2018 financial statements as follows:

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

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

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

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

SECTION 4: CONSOLIDATED STATEMENT OF CASH FLOWS

Consolidated Statement of Cash Flows for the year ended 30 June 2017

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

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

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

The 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.

In the current period the Group has adopted a new format for the financial statements. This has been done to allow users to better understand the primary statements and the related balances that make them up. We have also simplified our reporting of revenue and operating costs to ensure that the information provided is pertinent and indicates the balances of most importance, whilst ensuring conformity with IFRS. In order to do this, we have aligned the notes to the financial statements with the relevant primary statements, where there is an associated accounting policy, it is clearly denoted by a box presented at the beginning of the note.

Going concern

The Group maintains on-going forecasts that indicate continued profitability in the 2017 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 into the following transactions with Directors within the Hargreaves Lansdown Group and related parties who are not members of the Group:

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

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

During the years ended 30 June 2017 and 30 June 2016, the Group has provided a range of investment services in the normal course of business to shareholders on normal third-party business terms. Directors and staff are eligible for a slight discount on some of the services provided.

Remuneration of key management personnel

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

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

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

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

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

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

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

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

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

Section 6: STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and parent company and enable them to ensure that the financial statements and the Directors' remuneration report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.
The Directors are also responsible for safeguarding the assets of the Group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.
The Directors are responsible for the maintenance and integrity of the parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.
The Directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and parent company's performance, business model and strategy.
Each of the Directors, whose names and functions are listed below confirm that, to the best of their knowledge:

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

By order of the Board

Philip Johnson
Chief Financial Officer

14 August 2017

Executive Directors

Chris Hill
Philip Johnson

Non-Executive Directors

Christopher Barling
Mike Evans
Shirley Garrood
Stephen Robertson
Jayne Styles

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 & emerging risks

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

Operational risks

Risk	Potential impact	Mitigations
Continued geo-political and economic uncertainty Both nationally and internationally we are in a period of substantial geo-political and economic instability.	• Negative impact on consumer confidence and desire to hold/ buy investments preferring to keep funds as cash savings.	• The Executive and the Board track and discuss emerging risks to ensure appropriate responses are in place.
Conduct The risk that Hargreaves Lansdown fails to deliver fair outcomes for clients.	• Reputational damage resulting from poor levels of customer service. • Negative impact on AUM, shareholder returns and client number targets.	• Strong client-centric culture. • Formal policy in place with ongoing review at Group and departmental level. • Conduct Risk Management Information is discussed at the Risk Committee as part of the wider Risk Management Information.
Regulatory The risk that the Group fails to meet regulatory obligations, leading to reputational damage, monetary fines or the withdrawal of its authorisation to carry on its business.	• Reputational damage resulting from poor levels of customer service. • Negative impact on AUM, shareholder returns and dient number targets.	• Independent Compliance, Risk and Internal Audit functions. • Strong compliance culture geared towards client outcomes and regulatory compliance.
Disruption to business Physical business continuity event or catastrophic loss of systems, or other external event could cause disruption to our business and result in inability to perform core business activities or reduction in client service.	• Inability to service clients' needs. • Reputational damage if not properly managed.	• Business continuity and disaster recovery plans tested regularly. • Dual hosting of all critical servers, telecommunications and applications. • High level of resilience built into daily operations. • Separate business continuity/disaster recovery site available 24/7.
Financial crime Failure to protect against cybercrime, fraud or security breaches could result in loss of data or inability to maintain our systems resulting in client detriment and reputational damage.	• Loss of data or inability to maintain our systems resulting in client detriment and reputational damage. • Fraudulent activity leading to identity fraud and/or loss of clients' holdings to fraudulent activity.	• Dedicated information security, anti-money laundering and client protection teams in place. • Formal policies and procedures. • A security operations centre focused on the detection, containment and remediation of information security threats.

Financial risks

Risk	Potential impact	Mitigations
Prudential risk The risk that the Group may hold insufficient regulatory capital resources in order to meet FCA Threshold Conditions requirements.	• Regulatory censure.	• As part of the ICAAP, Hargreaves Lansdown undertakes regular capital adequacy assessments to ensure that it maintains financial resources of sufficient scale and quality at all times. These assessments include risk-based stress testing to model the impact of extreme scenarios on the Group's own funds.
Liquidity Lack of sufficient readily realisable financial resources to meet the Group's obligations as they fall due, or lack of access to liquid funds on commercially viable terms could lead to inability to pay clients and regulatory breaches.	• Unable to meet obligations as they fall due. .	• A Treasury management policy is in place, overseen by the Treasury Committee, which maximises return on capital whilst providing the ability to access sufficient liquid funds at short notice should this be necessary.
Counterparty The Group must always protect against the risk that a bank or other counterparty could fail.	• Failure of a third-party bank, broker or market maker.	• Group deposits with highly credit-rated institutions only, in accordance with the Treasury Policy. • The Treasury Committee monitors the counterparties' credit ratings on a regular basis.
Market Fluctuations in capital markets may adversely affect trading activity and/or the value of the Group's Assets Under Administration or Management, from which we derive revenues.	• Downturns in the market and resultant drops in AUA and AUM will have a negative impact on Hargreaves Lansdown income.	• The Group business model comprises both recurring platform revenue and transaction-based income. • A high proportion of the AUA and AUM are held within tax-advantaged wrappers, meaning there is a lower risk of withdrawal. • Multi-Manager funds publish market exposures in prospectus and funds are managed (and monitored) accordingly.

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
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.
Net revenue (£) (See Income Statement on page 9 for the reconciliation of net revenue)	Total revenue less commission payments which are primarily loyalty bonuses paid to Vantage clients.	Because of the changes brought about to the client charging structure by the Retail Distribution Review (“RDR”) there was a transitional period (from 1 March 2014 to 1 April 2016). From 1 March 2014 revenue was increased as Hargreaves Lansdown earned both a new platform fee from clients and the existing renewal commission from the Fund Management Groups based on the value of funds held by clients. At the same time the loyalty bonus paid to clients was significantly increased on the pre-RDR funds to largely mitigate the impact of the new platform fee. In order to aid comparability during the period of transition to 1 April 2016 the net revenue measure became the most useful comparative measure of revenue as it better reflected the underlying income relating to funds held by clients.
Percentage of net recurring revenue (%)	The total value of renewal commission (after deducting loyalty bonuses), platform fees, management fees and interest earned on client money divided by the total Vantage net revenue.	Provides a measure of the quality of our earnings. We believe recurring revenue provides greater profit resilience and hence it is of higher quality.
Net revenue margin (%)	Total net revenue divided by the average value of assets under administration which includes the Portfolio Management Services assets under management held in funds on which a platform fee is charged.	Provides the most comparable means of tracking, over time, the margin earned on the assets under administration and is used by management to assess business performance.
Revenue margin from cash (%)	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.
Net revenue margin from funds (%)	Net revenue derived from funds held by clients (platform fees, initial commission less loyalty bonus) divided by the average value of assets under administration held as funds, which includes the Portfolio Management Services assets under management held in funds on which a platform fee is charged.	Provides the most comparable means of tracking, over time, the margin earned on funds held by our clients.
Revenue margin from shares (%)	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.