REPORT AND FINANCIAL STATEMENTS

2016

YEAR ENDED 30 JUNE 2016

HARGREAVES LANSDOWN

CONTENTS

01 STRATEGIC REPORT

02 GOVERNANCE

03 FINANCIAL STATEMENTS

HARGREAVES LANSDOWN

One College Square South, Anchor Road, Bristol, BS1 5HL
Tel: 0117 900 9000
Registered number 02122142
www.hl.co.uk

AT A GLANCE

- **STRONG ORGANIC GROWTH IN ASSETS UNDER ADMINISTRATION UP 12% TO £61.7 BILLION**
- **836,000 ACTIVE CLIENTS, AN INCREASE OF 100,000 IN THE YEAR**
- **PROFIT BEFORE TAX INCREASED BY 10% TO £218.9 MILLION**
- **TOTAL DIVIDEND UP 3% AT 34.0 PENCE PER SHARE**

ASSETS UNDER ADMINISTRATION (£BN)

NO. OF ACTIVE CLIENTS ('000)

NET NEW BUSINESS (£BN)

NET NEW CLIENTS ('000)

NET REVENUE (£M)

PROFIT BEFORE TAX (£M)

% OF RECURRING REVENUE

NET PROMOTER SCORE SM

DILUTED EARNINGS PER SHARE (PENCE)

DIVIDEND PER SHARE (PENCE)

Alternative financial performance measures – Included in this Report and Financial Statements are various alternative performance measures used by the Company in the course of explaining the results for the year to 30 June 2016. These measures are listed along with the calculations to derive them and an explanation of why we use them on page 144 in the Glossary of Alternative Financial Performance Measures.

01

STRATEGIC REPORT

ABOUT US

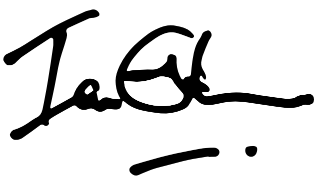
Hargreaves Lansdown operates the UK's largest direct to investor investment service administering over £61.7 billion of investments in ISA, SIPP and Investment accounts for 836,000 active clients. We have been helping clients choose and manage their investments since 1981 and currently provide self-directed, advisory and third party arrangement services for individuals and corporates. Hargreaves Lansdown has built a respected reputation with clients and the wider investment industry and works tirelessly to maintain and improve the lot of retail investors.

Our success is built around a high quality service tailored to the individual needs of our clients in order to help them make more of their money throughout their lifetime. We ensure our clients have access to information to support them with making their own investment decisions or access to highly skilled advisers should they wish to leave the decisions to us.

Our aim is to be the UK's number one choice for savings and investments. Knowledgeable and helpful staff, technology and experience enable us to deliver a business model that is highly scalable and has a strong track record of delivering growth and value for our shareholders and clients alike.

We are proud of our success and are committed to delivering continued value in the years ahead to both clients and shareholders.

The Report and Financial Statements contain the Strategic Report on pages 1 to 45, which includes an explanation of our business model, an analysis of our performance, a review of the business during the year and an outline of the principal risks and uncertainties. The Strategic Report was approved by and signed on behalf of the Board by the Chief Executive.



IAN GORHAM
CHIEF EXECUTIVE

6 SEPTEMBER 2016

‹ BACK TO CONTENTS

OUR VISION, STRATEGY AND VALUES

HARGREAVES LANSDOWN

WE ARE A MODERN SAVINGS AND INVESTMENT SERVICE.

OUR BRAND REFLECTS QUALITY, HELPFULNESS, INNOVATION AND ASPIRATION.

OUR CLIENT IS ANYONE WHO IS FINANCIALLY AWARE AND WANTS TO SAVE AND INVEST FOR THE FUTURE.

CLIENT

OUR VISION

To be the UK's

#1

choice for savings and investments

OUR VALUES

Integrity, putting the client first, efficiency, quality, sustainability

SHAREHOLDERS

OUR PEOPLE

OUR STRATEGY

We see the opportunity to create

LIFELONG RELATIONSHIPS

with clients by being a one stop shop to manage their savings and investments.

We understand that our clients want us to provide a

SAFE AND SECURE

service to look after their assets. We will maintain our strong financial position and provide capacity to manage their growth.

We price our services competitively for

GREAT VALUE

we promote clear and fair prices and use our scale to obtain and provide better deals for clients.

We will ensure to provide clients with an

INCREDIBLE SERVICE

making the best use of information and technology to offer access to the investments that our clients want.

We will make it

EASY AND EFICIENT

for our clients to manage their savings and investments by offering a multi-channel service.

OUR SERVICES

HARGREAVES LANSDOWN AIMS TO HELP EACH CLIENT MAKE MORE OF THEIR MONEY THROUGHOUT THEIR LIFETIME. WE HAVE ESTABLISHED A REPUTATION FOR PROVIDING HIGH QUALITY AND VALUE-FOR-MONEY SERVICES TO PRIVATE INVESTORS, WHETHER THEY ARE MAKING THEIR OWN INVESTMENT DECISIONS OR SEEKING ADVISORY OR DISCRETIONARY SERVICES.

VANTAGE SERVICE – OUR INVESTMENT SERVICE FOR SELF-DIRECTED INVESTORS

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

Our aim is to provide clients with the tools and information they need to make their own investment decisions and save money, whether a first time investor or wanting to improve the way that their existing investments are managed.

Our clients can invest new money and consolidate investments – for example, pensions accumulated in previous employment – into the Vantage service. Clients can manage their investments by telephone, post, online or mobile.

Vantage services include:

- Vantage ISA – a tax efficient home for funds, shares, ETFs, bonds, investment trusts and cash
- Vantage SIPP – a tax efficient pension
- Vantage SIPP Income Drawdown – a flexible retirement solution
- Vantage Fund and Share account – our general investment account
- HL Portfolio+ – a new service explained on this page
- Corporate Vantage – a growing service explained on this page
- Stockbroking – the largest execution only stockbroker in the UK
- Cash ISA

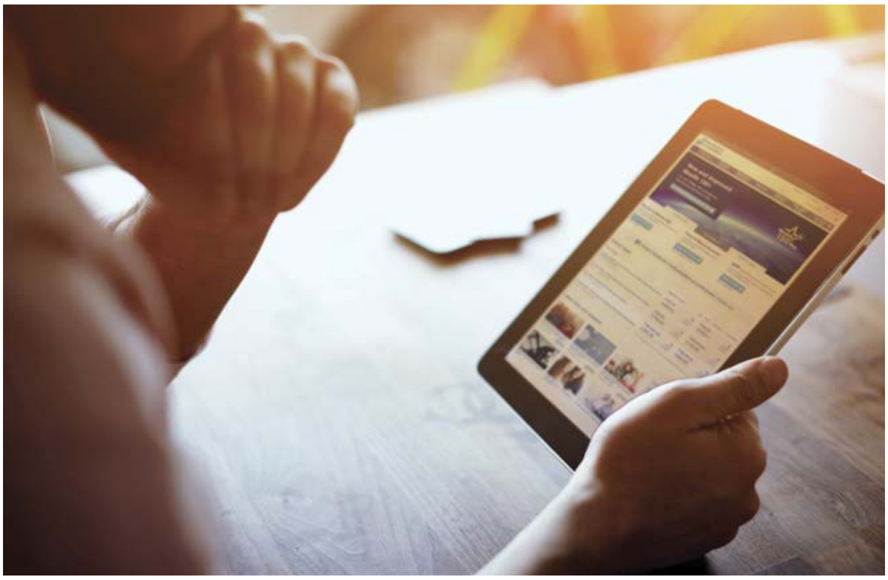
HL PORTFOLIO+

Portfolio+ is a new way to invest for those who prefer our experts to manage the composition of their investments. Clients decide whether they are investing for income or growth, how much risk they are comfortable with, and we will do the rest. We use the HL Multi-Manager funds as the underlying investments, making any necessary changes within them, and the portfolio is automatically rebalanced twice a year to ensure it remains on the original track set by the client.

CORPORATE VANTAGE

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

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



104.7M VISITS TO OUR APPS AND WEBSITE

+19%

DISCRETIONARY SERVICES AND MANAGED FUNDS

The Discretionary business comprises the Hargreaves Lansdown Multi-Manager funds and PMS, the Group's discretionary portfolio management service. Discretionary services include:

- The Portfolio Management Service (PMS) – our discretionary managed solution for clients who want to leave the work to us. Our experienced investment managers work closely with our research analysts to continually identify the best fund managers for our portfolios which are rebalanced to maintain their investment objectives.
- HL Multi-Manager – a broad range of ten managed portfolios for those who wish to leave the choice of underlying funds to our experts. Each of the ten Multi-Manager funds provide a professionally monitored portfolio, holding what we believe are some of the best fund managers in their field.

THIRD PARTY AND OTHER SERVICES

The third party and other services division distributes investment products that are not held on the platform. It includes:

- Annuities
- Certificated share dealing
- The ability to invest in Venture Capital Trusts (VCTs)
- A foreign currency service to both private clients and companies
- Contracts For Difference (CFDs) and Spread Betting
- Funds Library

The full range of our services can be viewed on the website at **www.hl.co.uk/investment-services**

HL SAVINGS

We are developing two exciting new services for clients.

The first will be a digital deposit service built to address the savings market. The service will allow clients to manage their cash savings in one place whilst switching between offers from different banks and building societies. We aim to encourage clients to engage with their savings through a service characterised by ease of use and choice. We intend to launch the service in late 2016.

The second will be a Peer to Peer platform. The platform will allow clients to lend to other clients as well as SMEs. Individual borrowers will use their assets on Vantage as collateral. We will aim to offer a simple and transparent service with competitive returns. This offering will follow the deposit service.

OUR WEBSITE AND DIGITAL APPS

During the financial year our website and apps were visited 104.7 million times, up 19% on the previous year, demonstrating that our digital growth continues apace. Mobile continues to be a dominant trend and our apps have now been downloaded more than 465,000 times. In the year to 30 June 2016 11.6% of our online share deals were placed via apps.

Investment and innovation in digital, in particular mobile, must continue. We delivered a mobile optimised website in 2016 and will follow this with redesigned and improved mobile apps in 2017. We will ensure we continue to be at the forefront of technology and capturing people's appetite to invest and manage their money wherever and whenever they choose.

Technology and changing consumer habits also continue to present new opportunities and marketing channels. Our digital marketing mix continues to broaden and diversify from core activities such as paid search and search engine optimisation to content networks and social channels. Our investment in digital marketing technology and resources has also helped us improve the commercial performance of our digital activities as well as the client experience.

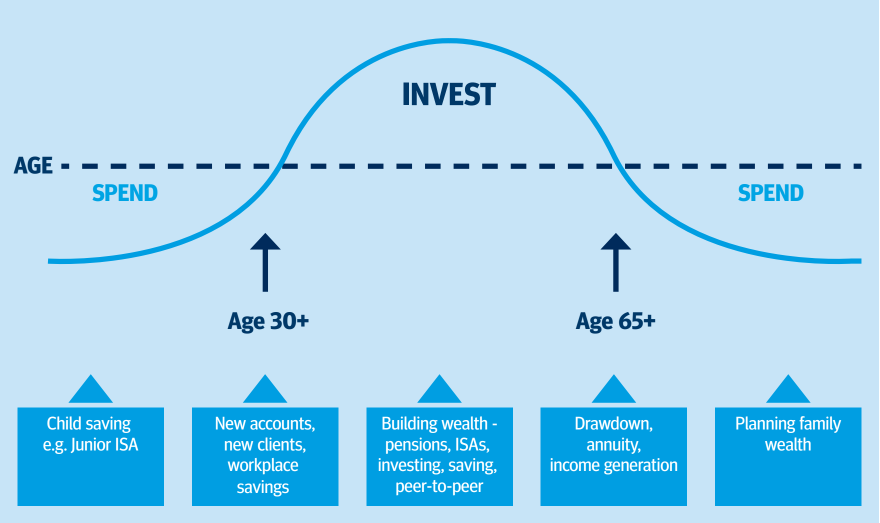
OUR CLIENTS

OUR CLIENT IS ANYONE WHO IS FINANCIALLY AWARE AND WANTS TO SAVE AND INVEST FOR THEIR FUTURE. THEY VALUE A LIFELONG SOLUTION, SECURITY, GREAT VALUE, INCREDIBLE SERVICE, AND EASE & EFFICIENCY.

WHO OUR CLIENTS ARE

Our investment services are provided directly to the private investor in the UK. Our clients may be investing for their future, saving for retirement, investing for children or grandchildren, making the most of tax allowances by using ISA and pension allowances, or they may be drawing down on their investments after retirement (as depicted to the right). The majority of our clients select and manage their own investments using our Vantage platform. Alternatively they can use our advisory services, our Multi-Manager funds, the Hargreaves Lansdown Portfolio+ service which provides ready-made portfolios which are managed by our in-house experts.

By providing a lifelong service we aim to retain clients whatever their needs



We also provide services such as workplace pension schemes and annuity purchase services to private investors through corporate clients. We work on behalf of 500 corporate clients, of which 335 are Corporate Vantage schemes – the 69,000 individual clients within those schemes are included in the number of Vantage clients.

WHY CLIENTS CHOOSE HARGREAVES LANSDOWN

When choosing an investment service, investors' most important considerations are:

1. **Lifelong solution**
2. **Secure & profitable**
3. **Great value**
4. **Incredible service**
5. **Easy & efficient**

Hargreaves Lansdown is a trusted brand that is committed to delivering these requirements for investors.

Skilled helpdesk staff and advanced technology ensure that we provide a consistently high quality, accessible and convenient service. We do not set out to be the cheapest; instead we aim to offer great value. We offer a range of information, tools and services for clients who prefer to choose their own investments as well as financial advice for those who want more help. As a result Hargreaves Lansdown is the UK's most popular investing service.

Our business is scalable and should enable growth in profits as the business grows. Making profits means we can regularly invest to improve and broaden our range of services and/or reduce our prices over time.

Hargreaves Lansdown places the client at the heart of all that it does and makes a compelling case to become a client, not just in the short-term but to remain with us throughout their life, safe in the knowledge that we continually aim to bring them further benefits helping them to make the most of their investments and ultimately their retirement.

"Customer care and technical support is excellent. The phones are always answered very promptly and by a highly qualified and knowledgeable member of staff. Staff are always polite, friendly, patient and professional. They also always do what they promise to do promptly. This all makes you feel valued as a customer." **Mrs Turner, Bristol**

"HL's Vantage Service is user friendly, accessible and easy to navigate through. Transferring my pension to the HL SIPP was simple, quick and trouble free. To top it off, any queries submitted have been answered very quickly. I have both an ISA and SIPP with HL now." **Mr Bradburn, Glasgow**

TRUST AND SECURITY

A recognised, trusted and financially secure FTSE 100 business, dedicated to keeping our clients' investments safe and secure.

EXCELLENT SERVICE

95.1%* of clients rated our service as excellent, very good or good.

*Based on a survey of 11,537 respondents in May 2016.

CONVENIENCE AND EASE

Our mobile and iPad App has been downloaded 465,000 times.

VALUE FOR MONEY

On behalf of our clients we have already used and continue to use our size and influence to negotiate some of the best (and often exclusive) discounts on funds in the market.

HELPFUL AND KNOWLEDGEABLE STAFF

Highly trained Bristol based investment and pension helpdesks with average call response times of 14 seconds.

TRUSTED SOURCE OF USEFUL, INDEPENDENT INFORMATION

The number of visits to our website and apps this year was 104.7 million.

CLIENT FOCUSSED IMPROVEMENT

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

CHOICE

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

INVESTMENT EXPERTS

We have a dedicated research team who constantly review and comment on investments available through Hargreaves Lansdown. Our experts also manage ten of our own HL Multi-Manager Funds.

ADVICE WHEN CLIENTS NEED IT

We offer financial advice, financial planning and portfolio management, or tools and support to do it yourself. Advice may be ongoing, as a one-off or as and when required.

AWARD-WINNING SERVICES

OUR EXPERIENCE GAINED OVER FOUR DECADES HAS ALLOWED US TO DEVELOP A SERVICE TAILORED PRECISELY TO THE NEEDS OF PRIVATE INVESTORS. 95.1% OF OUR CLIENTS RATE OUR SERVICE GOOD, VERY GOOD OR EXCELLENT. WE WIN NUMEROUS PRESTIGIOUS INDUSTRY AWARDS AND OUR CLIENTS' CONTINUED LOYALTY HAS CREATED A SUCCESSFUL AND FINANCIALLY SECURE BLUE CHIP COMPANY.

Hargreaves Lansdown is consistently recognised at industry awards. We are proud of such recognition which also serves to further grow our brand and the trust which clients place in our services. Underlying these achievements is a commitment to excellence shared by everybody in the Hargreaves Lansdown team.

DAVID HENDERSON – HEAD OF PENSIONS WITH JACK WILLIAMS – SIPP ACCOUNT MANAGER, HOLDING THE GOLD STANDARD AWARDS FOR GROUP PENSIONS AND RETIREMENT

RECENT AWARDS INCLUDE

- Best Investment Platform – Online Personal Wealth Awards
- Best D2C Platform Award – Professional Adviser
- Best At-Retirement Solution – Corporate Adviser Awards
- Pension Provider of the Year – Pensions Age
- Best ETF Research Provider 2016 – ETF Express Global Awards
- Gold Trusted Merchant (based on client feedback) - FEEFO

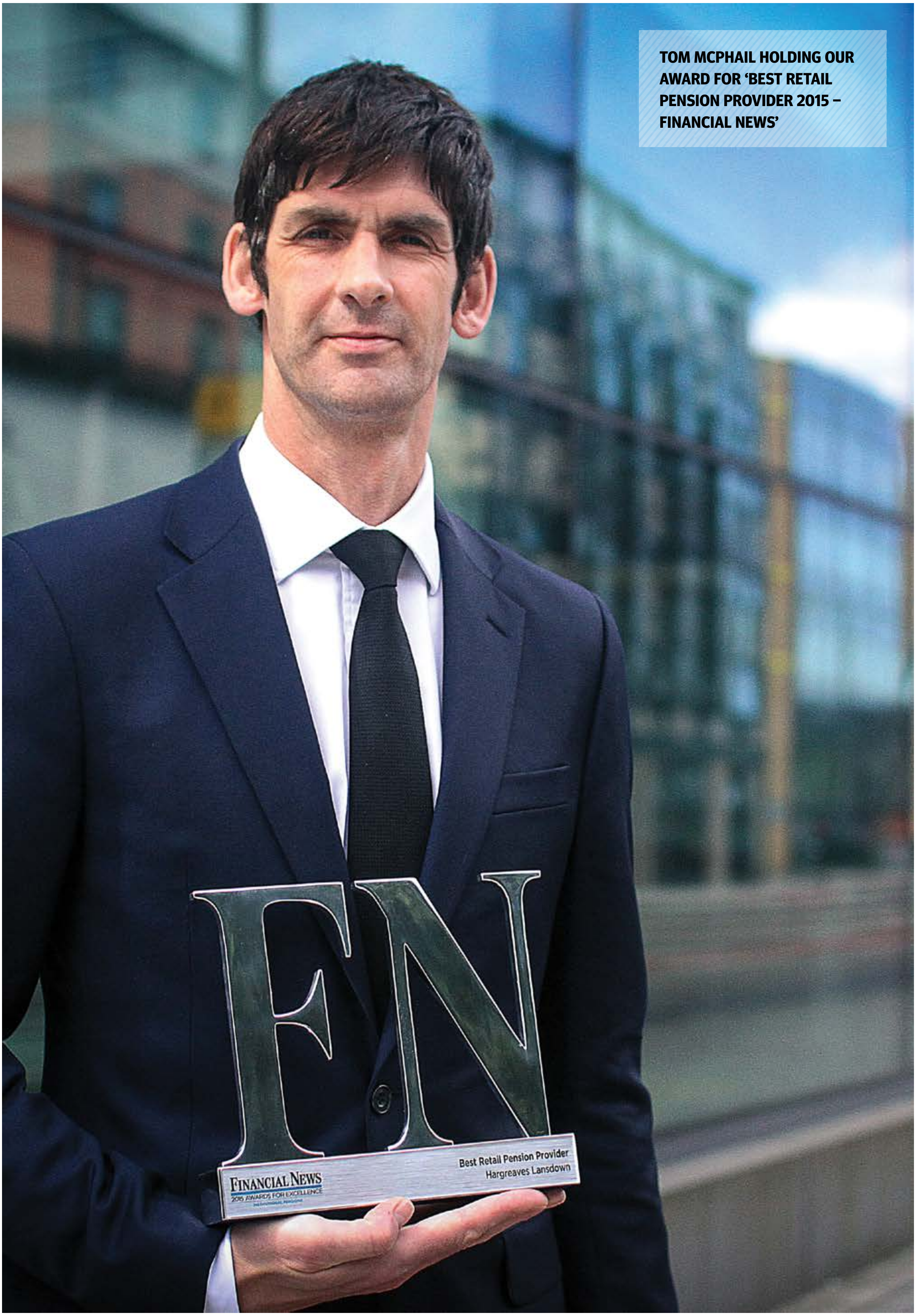
BACK TO BACK AWARDS INCLUDE

- Best Direct Platform – The Platforum 2013, 2014, 2015
- Best SIPP Provider – What Investment 2013, 2014, 2015
- Gold Standard for Individual Pensions – Gold Standard Awards 2013, 2014, 2015
- Best Fund Supermarket – What Investment 2014, 2015
- Best Pension Provider of the Year – Workplace Saving & Benefits Award 2014, 2015
- Gold Standard for Group Pensions – Gold Standard Awards 2014, 2015
- Gold Standard for Retirement – Gold Standard Awards 2014, 2015

OTHER AWARDS RECEIVED IN 2015 AND 2016

- Best All Rounder – Direct Platform Awards – The Lang Cat
- Best for Pensions (AND Pension Freedoms) – Direct Platform Awards – The Lang Cat
- Best Direct Platform for Service – The Platforum
- Best Direct Share Dealing Provider for 2015 – Your Money
- Best Fund Platform – City of London Wealth Management Awards
- Best Retail Pension Provider – Financial news 2015 Awards for Excellence, Institutional Pensions
- Best Stockbroker for Customer Service – FT Investors Chronicle
- Business Leader – Customer Excellence Award
- Outstanding industry contribution – Investment Week
- UK Platform Awards – Leading innovation in consumer platform (for the experienced investor)
- Best Direct SIPP Provider, Best Junior Stocks & Shares ISA Provider – Your Money

All our awards are listed on our website - http://www.hl.co.uk/investor-relations/our-awards



TOM MCPHAIL HOLDING OUR AWARD FOR 'BEST RETAIL PENSION PROVIDER 2015 – FINANCIAL NEWS'

CHAIRMAN'S STATEMENT

MIKE EVANS
CHAIRMAN

CONTINUED GROWTH IN CLIENTS AND ASSETS DRIVING A RETURN TO PROFITS GROWTH.

I am delighted to introduce our Annual Report for the year ended 30 June 2016 in which we announce a strong set of financial results together with a growth in profits.

GROWTH

Our asset gathering has continued despite periods of low investor confidence during the year, particularly in the first quarter of the current calendar year which has historically been a strong period for us. Investors have been concerned by weaker financial markets, geo-political uncertainty, economic weakness and, in the latter stages of the reporting period, the debate surrounding the referendum on the UK's membership of the European Union ("EU"). Notwithstanding this, we have delivered net new business inflows in line with last year, underpinned by impressive numbers of net new clients. As a result, our assets under administration finished the year at another record level.

We have delivered strong underlying performance across our business and we are pleased to report a 10% increase in profits, despite market weakness during the period. The return to profit growth and the continued pace of asset gathering gives us the confidence to invest in the future growth of the business. Over the course of the year, we have broadened the range of our Hargreaves Lansdown Multi-Manager Funds, and carried on the development of our savings proposition which remains on target to launch in late calendar year 2016.

GOVERNANCE

Good governance remains at the heart of everything we do. During the course of the year, the Board Risk Committee has spent time on the development and approval of the Internal Capital Adequacy Assessment Process and improved its focus on emerging risks. In appointing Jayne Styles as Chair of the Investment Committee, we have sought to refine and focus the remit of the Investment Committee. We commissioned a mid-year Internal Audit review of the action plan arising from last year's external Board effectiveness review and are pleased with the progress we are making as we continue to develop the Board.

DIVIDEND

We are a financially strong Group with a robust balance sheet retaining a capital base over and above regulatory capital adequacy requirements. Given the delivery of strong earnings growth in the year and taking into account the future cash requirements of the Group, the Board has approved a total dividend for the year of 34.0p per share (2015: 33.0p), representing a 3% increase versus 2015 and a dividend pay-out ratio of 91% (2015: 99%), more in line with historic pay-out levels. This represents a second interim ordinary dividend of 16.30p per share (2015: 14.30p) and a special dividend of 9.90p per share (2015: 11.40p).

PEOPLE

We recognise the importance of developing a team which contains the best talent in the industry and have sustained our focus on supporting our people, with much attention on leadership and development, culture and succession planning during the year.

We have made a number of changes to the Board. In October 2015 we appointed Jayne Styles as a new independent Non-Executive Director and Chair of the Investment Committee. Jayne is the Chief Investment Officer of MS Amlin and brings broad investment knowledge and relevant financial services experience. In February 2016, we welcomed Christopher Hill as our new Chief Financial Officer, who brings a wealth of financial and operational experience. As previously announced, Dharmash Mistry resigned as a Non-Executive Director at the end of August 2015 and we thank Dharmash for his contribution to the Board, particularly in the digital arena.

We have announced today that our Chief Executive, Ian Gorham, has decided to step down no later than 30 September 2017. Christopher Hill, our current Chief Financial Officer, will become Deputy Chief Executive with effect from 1 October 2016. It is the Board's current intention that Christopher will be confirmed as Chief Executive following Ian's departure subject to FCA approval.

Ian has done a fantastic job of leading Hargreaves Lansdown to its current position of a market leading successful FTSE 100 business, serving the investment needs of 836,000 clients and looking after £61.7 bn of the UK public's assets. The Board thanks Ian for his outstanding contribution to Hargreaves Lansdown.

3%
INCREASE TO DIVIDENDS

The coming year is an exciting one as we seek to continue the Group's growth trajectory, building on the new services and features delivered in recent years and the introduction of our savings proposition to allow us to continue to thrive in our chosen markets. Our dedicated and talented people remain integral to our success and, as always my gratitude goes to my colleagues for their continuing hard work, diligence and enthusiasm.

Mike Evans
Chairman
6 September 2016

CHIEF EXECUTIVE'S REVIEW

IAN GORHAM
CHIEF EXECUTIVE

WE ARE PLEASED TO PRESENT OUR RESULTS FOR THE YEAR ENDED 30 JUNE 2016, REPORTING A STRONG PROFIT INCREASE, ALONGSIDE EXCELLENT GROWTH IN CLIENTS AND CLIENT ASSETS, WHICH NOW EXCEED £60BN FOR THE FIRST TIME.

HEADLINES

The year to 30 June 2016 saw a return to profit growth, allied to substantial new assets and new clients in what was an eventful geo-political financial year.

Profit before tax for the year grew 10% to £218.9 million, aided by revenue from new and existing assets and clients, increased net interest income, strong flows into new Hargreaves Lansdown funds and energetic client equity trading, particularly towards the end of the financial year.

Net new business was £6.0 billion (2015: £6.1bn), representing 11% growth in Assets Under Administration (AUA). At 30 June 2016 AUA stood at £61.7 billion, up 12% (30 June 2015: £55.2bn). Assets broke through the £60bn level for the first time, despite lower stock markets, with the FTSE All-Share averaging 5.1% lower than last year and ongoing depressed investor confidence, which always makes gathering new business more challenging.

We welcomed 100,000 new active clients, up 19% on last year (2015: 84,000). Active client numbers were 836,000 at 30 June 2016 (30 June 2015: 736,000). Hargreaves Lansdown remains the largest business of its type in the UK, with 37.5% of the direct investment market at 31 March 2016 (Source: Platforum*), up from 35.9% in September 2015 and its market share of UK execution only stockbroking rose from 24.1% to 27.3%** over the past year.

Continued high service levels were rewarded through our high asset retention rate of 93.5% (2015: 92.7%) and client retention rate of 94.3% (2015: 93.4%). Hargreaves Lansdown continues to win substantial numbers of awards for client service. Our Net Promoter ScoreSM of 54.7% is excellent and a reflection of our commitment to client service excellence.

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

HARGREAVES LANSDOWN'S 2016 RESULTS

Profit before tax for the year was a record £218.9 million. High client satisfaction drove strong client recruitment and retention, with associated additional fees and income. Our Multi-Manager funds continued to be popular, generating £44.1 million of fund management income and our new initiatives, particularly new fund launches, also proved successful. Whilst bank deposit rates continued to fall, measures put in place in 2015 to stabilise interest income for both Hargreaves Lansdown and clients paid off, delivering increased returns from this source. Client equity trading volumes during the year were considerably higher, up 9% at 3.7 million (2015: 3.4 million), driven particularly by speculation and volatility around the EU referendum, with a record 63,000 trades conducted on 24 June 2016. This additional trading drove higher stockbroking commission.

We are well positioned to take advantage of the structural opportunity for growth in the savings and investments market. We continue to see opportunities for controlled, selective investment where we are confident in delivering attractive returns for our shareholders. In this context, we demonstrated good cost control in the second half of the year with 7% growth in operating costs in the second half, compared to 19% in the first half. Given the macro-economic backdrop, we are very pleased with the profit growth achieved.

By far the most substantial profit headwind was the level of stock markets through the year. Although by 30 June 2016 the FTSE All Share Index finished down only 1.5% on the year before at 3515.45, a late "post Brexit" rally at the end of June 2016 masked considerably depressed stock market levels throughout the year. On average during the financial year to 30 June 2016, the Index traded at a level 5.1% lower than the comparative period in 2015, and investor confidence was subdued. Our platform and management fee income is directly linked to client asset values, and had markets remained flat profit growth would have been even higher.

Clients and assets again grew substantially, with the year-end assets of our 836,000 active clients valued at £61.7 billion. Net new pension (SIPP) assets were £2.7bn (2015: £2.3bn), up 17%, reflecting the continued popularity of the Pension Freedom rules. Individual Savings Account (ISA) net new business was down 15% at £2.2 billion (2015: £2.6bn) and Fund and Share account net new business flat at £1.1 billion (2015: £1.1bn). ISA and Fund and Share account business tends to be more reflective of stock market performance and given the difficult markets and low investor confidence, we are not surprised by levels of net new business in these areas. Deals with JP Morgan and Jupiter led to the acquisition of 6,588 new clients and £264 million of new assets added to our Vantage service.

There continued to be considerable demand for Hargreaves Lansdown's expanding asset management capability amongst our clients. At 30 June 2016 assets in Hargreaves Lansdown Multi-Manager funds stood at £6.3 billion (2015: £5.6bn), up 13%. Two new fund launches, "High Income" and "Strategic Assets", had a combined total of £380 million in assets at 30 June 2016. Our HL Portfolio+ online "robo" investing service continued to attract assets, with £311 million of assets at the year-end (2015: £26m).

The Corporate Vantage service had 335 schemes live or in implementation by the year end (2015: 256), a 31% increase. An additional 15,242 net new members joined the service (2015: 11,134), up 29%, and assets in our Corporate Vantage service stood at £1.76 billion by 30 June 2016 (2015: £1.30 bn), up 35%. Annual premiums invested by employees and companies were £244.1 million (2015: £197.0m), up 24%. Growth in this service, particularly in the first half of last year, was constrained by the effect of new auto-enrolment rules on our key markets, with many companies focusing on achieving compliance rather than selecting new schemes. New corporate business has benefited from the absence of that drag this year.

£2.7bn

NET NEW PENSION BUSINESS (SIPP)

The interest rate environment remains depressed, and therefore income from cash balances continued to reflect low interest rates. However, in April 2015 we completed changes to our SIPP which allowed us to place client money on term deposit, a significant development as over 50% of cash held by clients with Hargreaves Lansdown is held in the SIPP. This allowed us to increase both revenue and deposit rates paid to clients holding cash in their SIPP. Whilst interest rates remain low we expect to continue to experience subdued margins on cash balances.

2016/2017 MARKET OUTLOOK

A major impact on market outlook is uncertainty caused by the UK's referendum decision on 23 June 2016 to leave the EU.

Hargreaves Lansdown remained neutral throughout this debate, believing it a matter for the British people to decide. In the short term we have seen elevated levels of equity trading in response to volatility, and weakness in the pound leading to strong relative performance of overseas funds and investments. The long-term implications of the vote are unknown. However, we remain confident about the future and consider our business to be robust. Hargreaves Lansdown is the largest business of its kind in the UK and not dependent on any single asset class or investment to prosper. The requirement for individuals and corporates to commit to long-term savings remains.

Throughout 2015/2016 UK stock markets were depressed, but despite this we have reported strong results. The words "headwind" and "low investor confidence" seem to have featured throughout recent annual reports. Whilst in the short-term volatility and uncertainty may continue, as more clarity develops on the execution path for leaving the EU we hope 2016/2017 may see better markets.

We have already seen a cut to base interest rates. Further changes to rates are also possible and would have a commensurate effect on our interest income.

GROUP OUTLOOK

Hargreaves Lansdown is well positioned to sustain its growth within the UK savings and investments market. Retail clients continue to need to manage their finances using a trusted, safe and secure platform that is easy and efficient to deal with in an increasingly complex economic environment.

Our 2016 performance has delivered a return to healthy profit growth, as anticipated in the 2015 report. We remain confident in investing in our strategy to develop products and services which will complement the future growth of Hargreaves Lansdown. Business in the first two months of the new financial year has been in line with management's expectations, with stockbroking activity from investors taking advantage of recent volatility and fund investment relatively quiet over the summer months. The Board's confidence in the business model is reflected in its approval of a total dividend for 2016 of 34.0p (2015: 33.0p), representing 3% year on year growth and a pay-out ratio of 91% (2015: 99%).

In the year to 30 June 2017 we look forward to the launch of HL Savings, our cash management service. A "soft" initial launch will allow us to test and refine the service. We therefore do not expect HL Savings to have a material bearing on financial results for the year to 30 June 2017. However, this project remains on track and will mark our entry into an asset sector of significant interest to all our clients – cash deposits – as well as Peer to Peer lending which will follow in 2017.

We intend to expand our fund management range and to grow the Portfolio+ service. The Corporate service has also again shown good growth and, whilst a long term project, is adding assets apace and deserves the continued investment we are making in its distribution capability.

Mobile services remain important and we have invested in replacing our mobile phone apps. We have always been at the forefront of mobile investing and our new version of HL Live for iPhone and Android will launch during the coming year, building on our data and experience of our clients' mobile investing needs. The strong position we have in the UK savings and investments market, together with the selective investment we have undertaken to further enhance our customer proposition, underpins our confidence in continuing to deliver attractive growth and returns for our shareholders.

IN THE YEAR TO 30 JUNE 2017 WE LOOK FORWARD TO THE LAUNCH OF HL SAVINGS, OUR CASH MANAGEMENT SERVICE

THE IMPACT OF REGULATION AND GOVERNMENT POLICY

Looking forward, we see further growth in the direct investment market.

Regulation is an ever present theme in financial services. Addressing regulatory change takes up a considerable amount of our time and resources. However, Hargreaves Lansdown is well-placed to address these challenges. Whilst there are always further regulatory changes coming down the track, we have not identified any likely to have an unusually material impact.

CORPORATE CITIZENSHIP

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

We continue to encourage price competition within the fund industry which has resulted in reduced costs of both active and passive funds for investors. We have negotiated market leading discounts on some of the best UK funds to the benefit of our clients.

This year will see the launch of the HL Charitable Foundation to further aid our charity and community work. The Foundation is explained more in the corporate social responsibility section and I wish it every success. We have also invested considerably in our people this year, making Hargreaves Lansdown an even more exciting place to work.

As in previous years, Hargreaves Lansdown continues to pay its tax in full in the UK.

CONCLUSION

I would like to thank our clients, shareholders, colleagues and my fellow Directors in what has once again been a very busy year of significant progress. The support and dedication they have shown has delivered another set of strong results.

We have also announced I shall be stepping down as Chief Executive of Hargreaves Lansdown no later than 30 September 2017.

I have been proud to work with, and therefore give my thanks to the exceptional clients, colleagues and shareholders of Hargreaves Lansdown who have supported the Group as it has risen to become an admired, mature and established FTSE 100 business. I believe the Group is in excellent hands and that the business shall be best served by natural succession as it pursues its exciting future.

Ian Gorham
Chief Executive
6 September 2016

IAN GORHAM AND CHRISTOPHER HILL

*As issued by The Platformum UK D2C Guide July 2016.

** Stockbroking data from Compeer Limited XO Quarterly Benchmarking Report Quarter 2 2016 and Quarter 2 2015.

BUSINESS MODEL

WE ARE IN BUSINESS TO BUILD LONG-TERM PROFIT. THIS ALLOWS US TO INVEST IN DEVELOPMENT AND INNOVATION, AS WELL AS IN GREAT PEOPLE, AND TO DISTRIBUTE PROFITS TO SHAREHOLDERS AS DIVIDENDS.

HOW OUR BUSINESS GENERATES VALUE

Fund supermarkets and wrap platforms more typically focus on servicing the independent financial advice (IFA) community. Our investment supermarket services the private investor directly. The Hargreaves Lansdown business model allows us to offer highly competitive prices to our clients, achieving high quality recurring revenue streams and strong profitability. We aim to create shareholder value by retaining our position as the best place in the UK for private investors to buy investments and savings products.

Reinvesting part of our profits enables us to grow our business by retaining existing clients, obtaining new investments from our existing clients and by winning new clients. We do this by providing market leading service, information and value. When combined with the security we offer and the trust in our brand it provides a compelling reason for clients to choose and remain with Hargreaves Lansdown.

REVENUE

We earn revenue through the administration and management of assets held predominantly on the Vantage platform. Assets include funds, UK, US and European shares, investment trusts, exchange-traded funds (ETFs), bonds and cash. They can be held in tax wrappers or trading accounts and can be viewed and traded all on one platform. We focus on delivering a high quality service to our clients fulfilling their investment needs throughout their life. The revenue from this service can be split into recurring and transactional streams.

RECURRING REVENUE

We deem revenue to be recurring when charges are calculated on the value of Assets Under Administration (AUA) or management and will continue to be earned on an ongoing basis whilst we administer or manage those assets. For example, we charge a percentage of the value of funds held on Vantage each month based on the value of those holdings at the end of the month.

The majority of recurring revenue arises from the administration of assets held on the Vantage platform. This income is

based on a percentage of the value of AUA and is expressed as basis points (bps). Revenue levels vary according to the class of investment, the type of account and the amount held – fees are tiered and/or capped. The mix of investments and products has an impact on the levels of revenue.

AUA grows through existing and new clients adding more investments into their accounts, combined with growth in the underlying value of the investments they hold in their accounts. Stock markets give an indication of investment growth and the most relevant proxy measure tends to be the movement in the FTSE All-Share Index. Whilst short-term fluctuations may decrease the value of AUA, our clients' exposure to the stock market has historically increased AUA, and therefore revenue, in the long run.

There will always be a natural loss of business whether from investors using their savings upon retirement, death or the effects of competition. However, we aim to minimise lost business with a constant focus on excellent service and providing a "one stop shop" offering a broad range of investments and services. Investors can readily switch between different investments without the need to leave our investment platform, which means we do not see the outflows of AUA that, for example, an asset manager would experience when an investor decides to sell their investment – the cash or the new investment can remain on our investment platform.

In addition to administering we also manage certain assets. These include our range of HL Multi-Manager Funds and our PMS Service. Managing assets broadens our coverage of the supply chain and therefore increases the revenue we are able to earn on the assets held on the platform. These revenue streams have similar characteristics to those detailed above.

TRANSACTIONAL REVENUE

Stockbroking commission contributes the majority of our transactional revenue and arises each time a client buys or sells an equity, ETF or bond. Our charging structure for equities varies from £11.95 per trade to £5.95 depending on the number of trades placed in the previous month. Other transactional revenue streams include initial charges for advisory clients or one-off advisory fees.

The number of active clients will impact the underlying trend of stockbroking volumes; the more clients, the more potential revenue, all other things being equal, but short-term factors can have a significant influence. For example, stock market volatility can often lead to high dealing volumes and initial public offerings can lead to large one-off sources of stockbroking income. Initial and one-off advisory fees are directly linked to the number of new advisory clients each period.

HOW WE ARE DIFFERENT

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

A founding principle of our business is 'simplicity' – the financial services industry is weighed down with complexity, yet when we deal directly with self-directed investors we make it simple for them. We use our scale and position in the market to negotiate favourable discounts for our clients, we lobby for better savings products, and we put the client at the heart of everything that we do.

Most changes and opportunities within our business require an element of systems or web development. We own, control and develop our own IT systems. We have our own proprietary systems that are not sold to others in the industry, and we have in-house development knowledge and expertise. This makes us nimble and quick to respond to opportunities. Our business is not capital intensive, but we employ c. 200 IT staff to maintain, develop and operate our IT infrastructure, website and systems. The long-term sustainability of our IT platform continues to be a key strategic priority for us.

HOW OUR BUSINESS IS SUSTAINABLE

We have a consistent track record of growing AUA, active clients and improving our service. Other than last year, for the reasons highlighted in the Chief Executive's statement at that time, we have also had a consistent track record of growing profits and earnings per share. We believe this is because we have the right distribution channels, offer the right service and products, and operate with the right cost structure. Going forward we believe that market and demographic trends continue to be favourable for growth in our key markets of pensions and ISAs. In addition the growth in the market size addressable by Direct to Client platforms is expected to continue growing significantly.

A large proportion of AUA (72%) are high quality recurring revenue streams ("sticky"); by this we mean that they are held within tax wrappers which make investors less likely to spend them. Our excellent service standards and breadth of service means that we have very high rates of asset and client retention (93.5% and 94.3% respectively).

The business operations are very scalable, so as we continue to grow we benefit from economies of scale and increasing cost efficiency. We utilise technology to ensure our service is efficient and as automated as possible, such that adding new clients and assets has only a marginal cost impact. We continually look at what our clients want, as well as the competitive landscape and industry developments in order to evolve our service with the aim of growing our market share. Communication with clients is conducted through regular client forums and targeted surveys. A key current project is how we can better service the asset class of cash on behalf of our clients and to that end we are developing a cash management portal. The Peer to Peer lending service will also give access to a new host of assets that we can look to add to our platform and earn recurring revenue.

The reinvestment of profits to provide improved services, better functionality and, over time, making the cost of investing cheaper for our clients all contribute to our sustainability.

OUR STRATEGY

CLIENT PROPOSITION

We put the client at the centre of everything we do. As a result, our strategic aims relate to the five core attributes we believe our clients value the most. These are:

Lifelong solution	We believe investors value the simplicity of being able to manage all their finances in one place. This has been a defining principle in making our platform a "one stop shop" for investments. Clients are able to consolidate all of their investments, whether in a tax wrapper or not, into one convenient, easy to manage service. We will continue to develop our offering to both expand the coverage of our clients' investments and also to respond to changes in their needs and behaviour.
Secure and profitable	After property, investments are usually an individual's second most valuable asset. As a result, clients value the security of their investments highly. We aim to provide confidence in our company and therefore comfort to our clients. In order to be here in the future we need to maintain strong company finances, protect our clients against financial crime and keep a culture of compliance. We also continually invest in our IT systems and operations to maintain the capacity to deal with a growing client base.
Great value	We aim to provide a great value service. This allows us to provide the security and incredible service our clients' desire, rather than being the cheapest and offering a reduced service. Clear and transparent pricing is also important to us and we will continue to clearly disclose pricing to maintain client trust and understanding.
Incredible service	The myriad of financial services and products available, combined with constantly changing regulations and tax rules, can make managing investments complex and confusing. We aim to provide the best information to simplify this process and allow clients to make decisions with confidence. Beyond information, we want to deliver the best client experience. Innovation and nurturing of new ideas allows the delivery of new products and services along with continual, incremental improvements to our existing services.
Easy & efficient	We believe dealing with us should be easy and efficient. As such, we are constantly reviewing our processes and services to streamline interactions and allow clients to conduct their business with minimum hassle through whichever channel they choose. Application processes only ask for the information we really need, you can get straight through to someone on the phone with no automated system and information is easy to find.

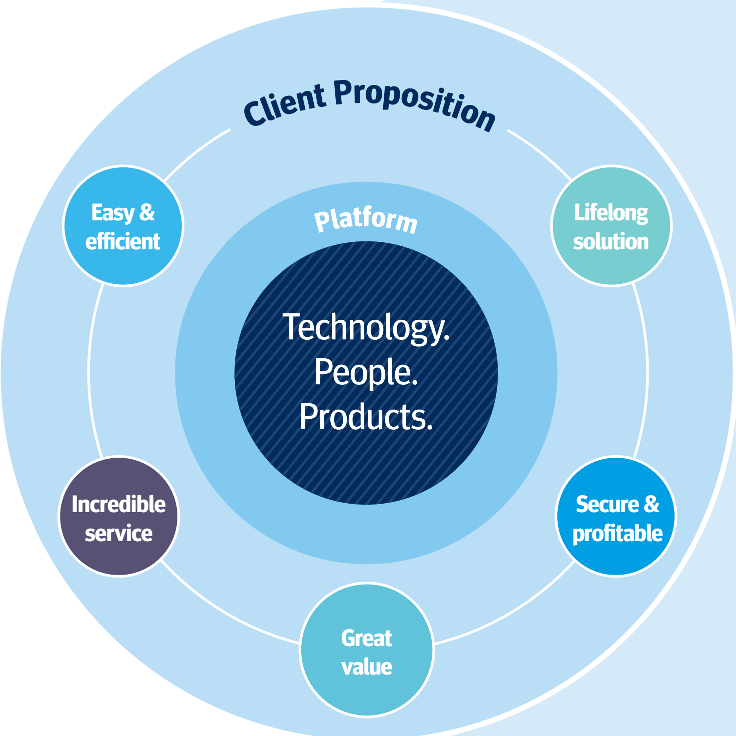
DELIVERING THE CLIENT PROPOSITION

The client proposition is supported by:

The platform	The platform acts as the supermarket through which clients can buy, hold and sell their investments within different tax efficient wrappers, individual savings accounts (ISAs) and self-invested personal pensions (SIPPs), or general investment accounts. It acts as an intermediary between the clients and the fund managers or registrars for the investments.
Technology	The platform uses our own proprietary systems. This allows us to offer unique products and services in a nimble and efficient manner. We are therefore uniquely positioned to respond to opportunities and develop our service to deliver the five core attributes desired by clients in an uninhibited manner.
People	Our people lie at the centre of Hargreaves Lansdown, developing and implementing the strategy and client proposition. They do this through the development of the platform, our technology and our products and services. We have our own in-house knowledge to develop our proprietary systems.
Products	Once clients have reviewed the services and information available on our website they will invest into one or more of our products . These include ISAs, SIPPs and general investment accounts. See page 6 to 7 for more details.

STRATEGIC PRIORITIES AND PROGRESS

OUR CLIENTS
We administer investments for 836,000 direct investor clients in the UK. Their needs vary from investing for the future through to drawing down their investments after retirement



ASSETS UNDER ADMINISTRATION

CLIENT SATISFACTION

SUSTAINABLE EARNINGS GROWTH

KPIs (page 24)
Asset retention rate
Client retention rate
Average accounts per clients
Profit
Percentage of net recurring revenue
Market share
Net new clients
Net new business
Client satisfaction
Net Promoter Score SM
Revenue per employee
Operating costs
Feefo account open positive rating

Principal risks (page 36)
Strategic change
Regulatory change
Conduct
Legal and regulatory
Business disruption
Cybercrime, fraud or security breaches
Technology
People
Market
Liquidity
Bank default
Interest rate
Prudential

OUR PLATFORM SERVICES
Vantage HL Portfolio+ Corporate Vantage Discretionary and Managed

	Progress in 2016	Our 2017 priorities
Lifelong solution	• Prepared for delivery of HL Savings, a major initiative for the year • Launched Strategic Assets and High Income HL Multi-Manager funds • Successful first year for Portfolio+ • Delivered additional and enhanced calculators for Pension Freedoms	• Deliver the HL Savings Deposit Service in 2016 with Peer to Peer following shortly afterwards • Launch of an HL equity fund • Provision of a Lifetime ISA • Continue to address the changing advice market
Secure and profitable	• Improved capacity management capabilities in both operations and IT • Continued improvements to governance and operational oversight in respect of clients' assets and money • Profit before tax up 10.0%	• Continue investment in security, capacity management and the future vision of our IT systems • Proactively analysing and responding to regulation to identify opportunities and ensure compliance
Great value	• Delivered numerous enhancements to our offering, such as customisable portfolios, more and enhanced calculators, mobile responsive marketing website and the online platform for HL's Currency Service • Continued to negotiate best prices on investments for clients • New SIPP trust arrangements allowed us to mitigate some of the interest rate reductions resulting from new client money rules	• Focus on the client experience, improving our products and services • Negotiate best prices on investments for clients • Ensure the HL Savings Deposit Service provides great value to clients
Incredible service	• Improved information available online, in particular a simplified and more intuitive homepage, a new 'Help' section and improved pensions information • Delivered an online platform for the HL Currency Service • Continued focus on the client experience, streamlining processes and improving functionality • Optimisation of, and investment into, our Helpdesk to improve the client experience	• Continue to develop a tailored experience for clients • Deliver new mobile and tablet apps
Easy & efficient	• Development of new mobile and tablet apps to launch in late 2016 • Delivered a responsive website to improve client experience and reduce future development time • Improved efficiency of operational processes through a restructuring of our operational teams • Reviewed and restructured our IT development processes and teams to increase development capacity and the cost ratio • Invested in talent management including improved career development support, training and recruitment capabilities	Continue: • To invest in talent management including a new Learning and Development team • To future proof and improve the efficiency of operations and IT • To ensure easy access to the information clients require, however they choose to consume it

MEASURING OUR PERFORMANCE – KEY INDICATORS

WE USE A RANGE OF INDICATORS IN ORDER TO ASSESS PERFORMANCE. WE CONSIDER THE FOLLOWING MEASURES TO BE THE KEY FINANCIAL, OPERATIONAL AND COMMERCIAL INDICATORS WHEN LOOKING AT THE OVERALL PERFORMANCE OF THE GROUP. WE REFER TO THESE MEASURES THROUGHOUT THE STRATEGIC REPORT.

Strategy/KPIs	2016	2015	+/-	
Lifelong solution				
Asset retention rate [1]	**93.5%**	92.7%	+0.8pts	Retention rates are a key factor in the business model as high retention allows Assets Under Administration to grow more quickly, from which we earn revenue. Asset and client retention has always been maintained at a very high level and this year grew to 93.5% and 94.3% respectively. Average accounts per client is used as an indicator of how widely our clients are using Hargreaves Lansdown throughout their financial life. Average accounts per client fell marginally this year to 1.34 due to the high level of Junior ISA transfers at the beginning of the year. The majority of these clients only have one account.
Client retention rate [2]	**94.3%**	93.4%	+0.9pts	
Average accounts per client [3]	**1.34**	1.35	-0.7%	
Secure and profitable				
Profit before tax [4]	**£218.9**	£199.0m	+10.0%	Profit before tax returned to double digit growth this year, increasing to £218.9m through a combination of increased revenue and cost control. As recurring revenue is a more stable and reliable revenue stream than transactional revenue we aim to have a high percentage of net recurring revenue. This increased to 78.2% for 2016.
Percentage of net recurring revenue [5]	**78.2%**	77.8%	+0.4pts	
Great value				
Market share [6]	**37.5%**	35.0%	+2.5pts	Market share continues to grow, increasing 2.5pts. This has been achieved through high levels of client and asset gathering and continual focus on improving the experience for clients. Net new clients increased 19% to 100,000. Despite increased gathering of new clients, net new business stayed broadly flat. This was caused by subdued investor confidence during 2016 as a result of the uncertainty caused by volatile markets and the EU Referendum.
Net new clients [7]	**100,000**	84,000	+19.0%	
Net new business [8]	**£6.0bn**	£6.1bn	-1.6%	
Incredible service				
Client satisfaction survey [9]	**95.1%**	95.7%	-0.6pts	The client satisfaction and net promoter score metrics remain at very high levels. Our internal client satisfaction score fell marginally, however, the external NPS increased to 54.7% amongst our clients.
Net promoter score [10]	**54.7%**	53.5%	+1.2pts	
Easy & efficient				
Net revenue per employee [11]	**£340,361**	£325,389	+4.6%	Staff productivity increased 4.6%, resulting in a revenue per employee of £340,361. The average number of staff employed on a full-time basis (excluding Directors) at 30 June 2016 was 959, up 6.5%. Net revenue increased 11%. Operating costs increased 12.7%, in line with our strategic plans and our commitment to delivering a high level of service to our growing client base. Particular areas of growth were HL Savings, IT and our subsidiary company Library Information Services.
Operating costs [12]	**£108.2m**	£96.1m	+12.7%	
Feefo account open positive rating [13]	**98.7 %**	96.8%	+1.9pts	

1. Based on monthly lost Vantage AUA as a percentage of the opening months Vantage AUA and averaging for the year.
2. Based on monthly lost Vantage clients as a percentage of the opening months Vantage clients and averaging for the year.
3. Based on monthly average numbers of accounts held and averaging for the year.
4. Profit before tax as per the Consolidated Income Statement
5. Total value of renewal commission (after deducting loyalty bonuses), management fees, platform fees and interest earned on client money, as a percentage of total net revenue.
6. Hargreaves Lansdown's market share of the 'direct platform market' according to the Platforum as at March 2016 and March 2015.
7. Net new clients represents the change in number of active clients between the opening and closing position for the year (unique number of clients holding at least one PMS or Vantage account with a value over £100 at the year-end).
8. Net new business inflows represents subscriptions, cash receipts, cash and stock transfers in less withdrawals and assets transferred out (refer to the Operating and Financial review section on page 25 to 32 for more information on net new business inflows).
9. Based on May 2016 & May 2015 client surveys of 11,537 & 14,344 respondents, where service was voted as good, very good or excellent.
10. Based on May 2016 & May 2015 client surveys of 11,537 & 14,344 respondents, using the Net Promoter Score methodology. The survey covered Hargreaves Lansdown clients only.
11. Net revenue (gross revenue less loyalty bonus and commission payments) divided by the average month end number of staff (excluding Directors).
12. Operating costs for the year includes the FSCS levy but excludes loyalty bonuses.
13. The percentage of total reviews for the year rated as 'excellent' or 'good'.

‹ BACK TO CONTENTS

OPERATING AND FINANCIAL REVIEW

CHRISTOPHER HILL
CHIEF FINANCIAL OFFICER

ASSETS UNDER ADMINISTRATION (AUA) AND NET NEW BUSINESS (NNB)

The value of total AUA increased by 12% during the year. The Group achieved net new business inflows of £6.0 billion, and the positive impact of investment performance increased client assets by a further £0.5 billion (2015: £2.0bn). High client and asset retention rates underpin the strength of the Hargreaves Lansdown business model.

	At 30 June 2016	At 30 June 2015	Movement
	(£'bn)	(£'bn)	%
Vantage Assets Under Administration (AUA)*	**58.7**	52.3	**+12%**
Assets Under Administration and Management (AUM)**			
- Portfolio Management Service (PMS)	**2.9**	2.9	**0%**
- Multi-Manager funds held outside of PMS	**3.6**	2.9	**+24%**
AUM Total	**6.5**	5.8	**+12%**
Less:			
Multi-Manager funds (AUM) included in Vantage AUA	**(3.5)**	(2.9)	**+21%**
Total Assets Under Administration	**61.7**	55.2	**+12%**

* AUA is the total value of all assets administered or managed by Hargreaves Lansdown on behalf of clients

** AUM is the total value of all assets managed by Hargreaves Lansdown comprising our Multi-Manager Funds and assets held within PMS.

VANTAGE

Net new business in the Vantage SIPP, ISA and Fund and Share account was respectively £2.7 billion, £2.2 billion and £1.1 billion (2015: £2.3 billion, £2.6 billion, £1.1 billion), in total £6.0 billion (2015: £6.0 billion).

The first half of the year saw strong net new business of £2.73 billion, up 24% compared to the equivalent six months last year (2015: £2.21bn). This was achieved against a backdrop of muted world stock markets stemming from various macroeconomic concerns and weak commodity prices. The FTSE All-Share Index ended 3.5% down for the six months to 31 December 2015 at 3444.26. Typically, falling stock markets have a high correlation with reduced propensity to invest amongst retail investors. However, despite the weak markets, our ISA and Fund and Share account new business remained robust during this period whilst new pension freedoms proved particularly attractive to clients, with Vantage SIPP net new business up 73% over the six months ended 31 December 2015.

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 £3.21 billion of net new business in the second half of the year to 30 June 2016, albeit a 15% drop versus the £3.79 billion in the prior year comparative given the more volatile market backdrop. The comparative period benefited from three HL Multi-Manager fund launches, the new Pension Freedoms from 6 April 2015 and the introduction of the ability to transfer Child Trust Funds into Junior ISAs. This year the second half also had two HL Multi-Manager fund launches but benefited less from the pension freedoms and the impact of transfers into Junior ISAs.

The SIPP increase in net new business of 17% for the year was driven by an increased number of SIPP clients making more contributions and transferring other pensions they held to Vantage. New pension freedoms, introduced from 6 April 2015, have also continued to contribute to the increase year-on-year, along with concerns that pension tax relief would be reduced in the March 2016 budget, which prompted a rush of contributions.

Conversely, net new ISA business of £2.2bn for the year decreased by 15% which was attributable to an array of factors including low investor confidence, diverting money into pensions in case of tax relief changes in the Budget, and into property ahead of stamp duty increases taking effect from 6 April 2016. These factors led to a decrease in the number of clients subscribing to their ISA and a reduction in the average subscription value.

Meanwhile Vantage Fund and Share account net new business was flat year-on-year. This account has no tax benefits and no caps on contributions and tends to be impacted more by investor confidence and market sentiment. It often serves as a destination for investment once clients have used their tax wrapper accounts and also serves as the first point of call when withdrawing cash. In addition, each year a proportion of clients transfer some of their investments from this account into their SIPP and ISA accounts ensuring they utilise their tax benefits. The value transferred this year was £0.5 billion compared to £0.6 billion last year.

The trust and the value that our clients place on our services are endorsed by the retention rates. This year our client retention rate rose from 93.4% to 94.3% and our asset retention rate rose from 92.7% to 93.5%. The FTSE All-Share Index fell by 1.54% (2015: fell 0.82%) over the year to 30 June 2016, however the average month-end level of the index was 5.1% lower this year compared to last (2015: 2.0% higher). Although the index ended the second half up 2.1% at 3515.45, it suffered significant spells of depression caused by various macroeconomic concerns and latterly volatility caused by the uncertainty surrounding the EU referendum. Weak investor confidence contributed to a challenging ISA season which some industry bodies have called the worst ISA season on record.

The combined impact of organic growth and investment performance resulted in SIPP AUA growing by 18%, ISA by 11% and the Fund and Share account by 9%. As at 30 June 2016, the value of assets within the Vantage SIPP was £19.3 billion (30 June 2015: £16.4 billion), the Vantage ISA was £23.0 billion (30 June 2015: £20.7 billion), and the Vantage Fund and Share Account was £16.5 billion (30 June 2015: £15.2 billion).

PORTFOLIO MANAGEMENT SERVICE (PMS)

PMS assets remained flat at £2.9 billion with net new business of £66 million, down 8% on last year's £72 million. These additional new assets were offset by the impact of a stock market decline of £52 million (2015: £169 million growth). PMS remains a core service provided by Hargreaves Lansdown, however, the gathering of new assets and clients has been behind expectations. A review of the service is being undertaken with a view to improving lead flows and the quality of the offering for clients.

MULTI-MANAGER FUNDS

The value of assets managed by Hargreaves Lansdown through its own range of Multi-Manager funds increased by 13% to £6.3 billion as at 30 June 2016 (2015: £5.6bn). The growth in assets consisted of net new business of £0.8 billion (2015: £0.9bn), combined with a stock market decrease of £0.1 billion (2015: increase of £0.3bn). During the second half of the year two new Multi-Manager funds were successfully launched helping to attract new clients and assets. The two new funds are "UK High Income" and "Strategic Assets" which provide further geographical and sector diversification to the eight existing funds in the range. In the short time since launch these two funds have grown to a combined value of £382m.

DIVISIONAL PERFORMANCE

Following the implementation of the Retail Distribution Review ("RDR"), we highlight the net revenue of the Group, as laid out in note 4 to the accounts. This measure provides a clear indication of year-on-year comparative performance, taking into account the changes in commission, charges and rebates. Total net revenue was up 11% for the year at £326.5 million (2015: £294.2m). The Group is organised into three core operating divisions as shown in the table below.

VANTAGE

Revenue

The Vantage division is the largest within the Group and represents 75% of net revenue and 76% of operating profit. Net revenue increased by 12% and was driven by the 12% growth in AUA this year and the full year impact of income on assets gathered over the course of last year. Revenue from funds grew from £136.7 million to £147.2 million with a slight reduction in the revenue margin from 46bps to 44bps as a result of there being no renewal commissions retained on funds held by clients from 1 April 2016 onwards, in accordance with the Retail Distribution Review. Interest on client money grew from £24.2 million to £31.2 million with an improved margin being achieved on higher cash balances as a result of changes to our SIPP which allowed us to place client money

Net revenue	**Year ended 30 June 2016 £'million**	Year ended 30 June 2015 £'million	% Movement
Vantage	245.8	220.0	+12%
Discretionary	58.9	52.4	+12%
Third Party & Other services	21.8	21.8	0%
Total net revenue	326.5	294.2	+11%

on term deposit, a significant development as over 50% of cash held by clients with Hargreaves Lansdown is held in the SIPP, and enabling us to increase both revenue and deposit rates paid to clients.

Stockbroking commission grew by 21% from £35.4 million to £43.0 million benefiting from increased stockbroking volumes and the removal of the impact in the prior year of a temporary c£3.5 million loss of revenue, resulting from a restructuring of the collection method for foreign exchange income on overseas equity deals. Excluding this comparative effect, stockbroking commission was up 10.5%.

We handled over 12.1 million dealing instructions on behalf of 827,000 clients relating to funds and shares (2015: 10.8m). Our website (www.hl.co.uk) and apps were visited 104.7 million times, an increase of 19% on the previous year. Vantage clients transacted 3.7 million share deals in the year (2015: 3.4 million). Share deals comprise both client driven deals and automated deals such as dividend income reinvestment and regular savings. Client driven deals totalled 3.0 million compared to 2.8 million last year.

Markets and market share

The Vantage division delivered consistent strong growth in assets and clients and has increased market share in the services it provides. Our market share of the retail platform execution only market stands at c37.5% making it over four times the size of the second largest. The retail platform market as at 31 March 2016 was valued at c£152* billion of which £56.6 billion was held on Vantage.

The addressable market for Vantage is much greater than the retail platform market given the scope of services and products that Hargreaves Lansdown provide. Vantage accounts can be used by both Retail and Corporate clients in order to hold a wide range of investments in a SIPP, ISA or general investment account. This enables us to address a much greater section of UK investors and the billions of pounds currently held away from retail platforms. For example the ISA Stocks and Share market is estimated at £267 billion and the Junior Stocks and Share ISA at £1 billion**. The UK SIPP market is estimated at £175 billion***. In addition, corporate pensions and assets currently or previously advised on by financial advisors through IFAs, banks, building societies and life assurers are also addressable.

From 6 April 2015 the Government allowed transfers from Child Trust Funds (CTFs) to Junior ISAs. At this date over six million children in the UK had CTFs with c£4.8 billion pounds invested. In the year ending 30 June 2016 we have seen over 12,000 transfers from CTFs to Junior ISAs cementing Hargreaves Lansdown's position as the largest provider of Junior Stocks and Shares ISAs in the UK.

Vantage SIPP assets of £19.3 billion give Hargreaves Lansdown an estimated 11% market share of the UK SIPP market with 276,000 SIPP accounts out of an estimated total of 1.4 million UK SIPP accounts. The Group is also the UK's largest execution only stockbroker with a market share of 27.3% as measured by Compeer Limited in their XO Quarterly Benchmarking Report Q2 2016.

Market development

The markets for the Group's products and services continue to evolve as individuals' savings and investment needs react to the changing regulatory and market environment. With continued low interest rates, Stocks and Shares ISAs remain attractive. The current ISA allowance of £15,240 for the tax year commencing 6 April 2016 remains the same as that in the previous tax year, however, as from 6 April 2017 the annual allowance will increase significantly to £20,000. For some clients this will provide additional scope for tax efficient investing and an opportunity to increase net flows into our ISA offering.

From 6 April 2017 the new Lifetime ISA ("LISA") will be launched. This is open to UK citizens between the ages of 18 and 40 and any savings added to the LISA before their 50th birthday will receive an added 25% bonus from the government. The savings allowance will be capped at £4,000 per annum and can be used towards a deposit on a first home worth up to £450,000 or can be used towards saving for retirement, whereby after their 60th birthday individuals can withdraw all the savings free of tax. This may provide fresh impetus for adults to boost their long-term savings and for others to start saving for the first time and to consider saving using risk based investments rather than cash. Hargreaves Lansdown will have its LISA offering in place for the 6 April 2017.

Pension auto-enrolment in the UK is currently being phased in and by 2017 all employers will have to auto-enrol eligible staff into a suitable workplace pension and pay contributions on their behalf. Escalating minimum contributions have been set. By 6 April 2019 the minimum contribution will be 9% of which the employer will have to pay a minimum of 4%. The workplace will continue to play a pivotal role in retirement saving: the auto-enrolment programme has delivered demonstrable successes and we expect future government policy to build on this. Our Corporate Vantage service is directed at segments of this market and existing schemes we administer will also benefit from auto-enrolment contributions.

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

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

* Source: The Platforum UK D2C Guide July 2016
** Source: HMRC
*** Source: John Moret, pension industry specialist

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

Clients and assets
During the year the number of active Vantage clients increased by 100,000 to 827,000. Total clients include 68,600 active Corporate Vantage scheme members across 333 live schemes and 64,000 Junior ISA clients. Junior ISA clients were up from 43,000 last year benefiting from over 12,000 transfers of Child Trust Funds to Junior ISAs which were allowed from 6 April 2015. We now administer 276,000 SIPP accounts, 572,000 ISA accounts and 274,000 Fund and Share accounts on behalf of our clients.

16% more clients contributed to their SIPP than in the year to 30 June 2015, with the average new contribution into a Vantage SIPP this year increasing by 3% to £9,188. Meanwhile the number of clients subscribing to their Vantage Stocks and Share ISA decreased by 5% and the average subscription decreased by 7% to £9,416.

Clients continued to transfer SIPP, ISA and other investments held elsewhere into our Vantage service in order to benefit from the advantages of having them all held on a single trusted and easy to use service. The value of transfers-in decreased by 4% to £4.8 billion.

Clients continued to have a relatively low weighting in cash and appeared prepared to take more investment risk given continued low deposit rates. In the second half of the year, however, there has been a move into cash caused by market volatility and Brexit concerns weighing on investor confidence. The composition of assets across the whole of Vantage at 30 June 2016 was 11.6% cash (30 June 2015: 10.2%), 34.1% stocks and shares (30 June 2015: 34.2%), and 54.3% investment funds (30 June 2015: 55.6%).

A number of our clients make regular contributions into their ISA, SIPP or Fund and Share accounts. The 'Regular Savers' service has been consistently growing since being introduced 14 years ago, and as at 30 June 2016 we had 125,000 clients (2015: 105,000) saving a total of £37.0 million (2015: £34.4 million) each month by way of direct debit instruction. Our Corporate Vantage service has the potential to significantly increase the value of regular monthly savings and Corporate Vantage clients currently subscribe £20.3 million each month, in addition to the regular contributions noted above.

DISCRETIONARY AND MANAGED

The Discretionary and Managed division represents 18% of net revenue and 21% of operating profit. The division earns recurring income on underlying investments held in the Group's Portfolio Management Service (PMS), and on investments in the Group's Multi-Manager funds.

Net revenue was up 12% from £52.4 million to £58.9 million. As explained, the growth in AUM came from the launch of two new HL Multi-Manager Funds combined with continued growth across the existing eight funds. AUM was on average up 14% across the year and Hargreaves Lansdown earns a management fee of 0.75% per annum on assets held in these funds.

The Portfolio Management Service generates revenue from initial and ongoing advice fees charged to clients who are supported by our team of financial advisers. Client numbers grew to 14,896 from 14,845 in the prior year. As at 30 June 2016 the Group had 91 financial advisers (30 June 2015: 102). Initial advice fees were flat year-on-year at £2.9 million whilst ongoing advice and management fees fell from £11.7 million to £10.7 million. The ongoing advice fee is charged at 0.365% per annum but as from 1 December 2015 any PMS client with an investment portfolio in excess of £1 million had a cap of £3,650 per annum on the charge. The impact of this was a reduction in revenue of c£0.3 million in the year. Further changes to management fees on non-HL Multi-Manager funds held within PMS had a £0.7 million impact on the division but a reduced impact on the Group overall due to a 0.06% increase in PMS platform fees which are recorded in Vantage.

THIRD PARTY AND OTHER SERVICES

Third party and other services represent 7% of net revenue and 3% of operating profit and the division distributes investment products that are not invested or administered within the Group. Net revenues were flat year-on-year at £21.8 million.

In March 2014 the government's budget implemented pension reforms introducing greater flexibility in terms of how people access their pension savings. As a result the demand for annuities declined significantly, which particularly impacted last year's revenue, but has continued into 2016 with commission income falling from £1.9 million to £1.5 million this year. As annuity volumes have declined we have seen an increase in clients moving into Income Drawdown and the associated recurring revenue streams from this service are recorded within the Vantage division.

Revenue from our Funds Library service, through the provision of fund data and research services, decreased slightly from £6.4 million to £6.2 million. User billing and implementation fees fell slightly but were partly offset by new revenue streams relating to the provision of data for compliance with Solvency II. These new streams commenced towards the end of the year and should help to provide some future growth as more companies sign up for these new regulatory required services.

The total revenues from Hargreaves Lansdown Currency and Markets (Contracts For Difference, spread betting and currency services) fell marginally by £0.1 million to £4.1 million. A fall in certificated dealing charges and currency service commissions were partly offset by an increase in CFD and spread betting commissions which tend to benefit from volatile markets such as those

FINANCIAL PERFORMANCE

	Year ended 30 June 2016 £'million	Year ended 30 June 2015 £'milion	Movement %
Revenue	388.3	395.1	-2%
Commission payable / loyalty bonus	(61.8)	(100.9)	-39%
Net revenue	326.5	294.2	+11%
Other operating costs	(102.7)	(91.7)	+12%
Total FSCS levy	(5.5)	(4.4)	+25%
Operating profit	218.3	198.1	+10%
Non-operating income	0.6	1.0	-40%
Profit before taxation	218.9	199.0	+10%
Taxation	(41.6)	(41.8)	-0.5%
Profit after taxation	177.3	157.2	+13%
Basic earnings per share (pence)	37.4	33.2	+13%
Diluted earnings per share (pence)	37.3	33.1	+13%

seen for much of the year.

As highlighted previously, third party corporate and personal pension business has been in decline over recent years. Although the Group continues to act as an intermediary for some third party corporate pension schemes there is a focus on our own Corporate Vantage services which means that we expect that third party business will continue to decline.

TOTAL NET REVENUE

Total net revenue for the year grew 11% to £326.5 million. Record levels of AUA, £6.0 billion net new business, new active clients and increased transaction volumes have all been positive factors which have more than outweighed the loss of any Vantage renewal income post the April 2016 sunset clause. Divisional revenue performance is described earlier in this review.

Net revenue margins

Clients can hold a range of assets on the Vantage platform including investment funds, individual shares and other stock, and cash. The net revenue margin earned on each asset class varies. Investment funds on average represented 57% of Vantage AUA and the net revenue margin earned was 0.44% (2015: 0.46%). The reduction related to the previously flagged transition phase of RDR until March 2016. From April 2016 we have been earning 0.42%.

Shares on average represented 33% of Vantage AUA. The net revenue margin on shares and other stock was 0.30% (2015: 0.29%) with revenue being generated from equity deals and management fees. The increase in margin has been caused by an increase in equity dealing volumes combined with the change to charges on overseas foreign exchange income in the second half of the year (as highlighted on page 27). 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.

Cash on average represented 10% of Vantage AUA. The net revenue margin on cash balances was 0.56% (2015: 0.53%). As highlighted in previous annual reports, the FCA introduced restrictions on the use of term deposits of greater than 30 days for client money with effect from 1 July 2014. This served to reduce the revenue margin on cash and consequently we set out to mitigate the impact of these restrictions by amending SIPP cash to be held in trustee arrangements which would allow term deposits to be used again. This trustee arrangement was implemented from 20 April 2015. The new arrangements have allowed us to offer higher interest rates for clients in the SIPP whilst also helping to boost the margin and revenue we earn. Last year the benefit was only gained for a couple of months whereas this year we have had the benefit for the full year. Although the SIPP trustee arrangements have helped, the full potential positive impact has been offset by an overall reduction in rates offered by banks, particularly on short term deposits up to 30 days which impacts non-SIPP client money accounting for c49% of the total client money balances. Since the 30

Vantage net revenue margins	Year ended 30 June 2016			Year ended 30 June 2015		
	Net revenue (£m)	Average AUA (£bn)	Net revenue margin (%)	Net revenue (£m)	Average AUA (£bn)	Net revenue margin (%)
Funds[1]	147.2	33.3	0.44	136.7	29.7	0.46
Shares[2]	57.8	19.3	0.30	47.9	16.6	0.29
Cash[3]	31.2	5.5	0.56	24.2	4.6	0.53
Other	9.6	-	-	11.2	-	-
Total	245.8	58.1	0.42	220.0	50.9	0.43

1 Revenue from funds comprises platform fees and renewal commission (net of loyalty bonuses paid to clients).
2 Revenue from stocks and other comprises stockbroking commission and management fees.
3 Revenue from cash comprises interest earned on client money.
Further details on the Vantage net revenue margins above can be found in the Glossary of Alternative Financial Performance Measures on page 144.

June 2016 the Bank of England has reduced the base rate by 0.25%. Assuming no further base rate changes we anticipate the cash interest margin for the financial year 2017 will be in the range of 0.35%-0.45%.

Recurring and non-recurring revenue
£193.1 million (2015: £173.3m), representing 79% of Vantage net revenue (2015: 79%) is recurring in nature. Recurring revenue streams comprised platform fees (£139.4m, 2015: £123.8m), renewal commissions net of loyalty bonuses paid to clients (£7.7m, 2015: £12.9m), management fees (£14.8m, 2015: £12.4m) and interest on client money (£31.2m, 2015: £24.2m). Although these revenues can be directly impacted by stock markets and bank deposit rates they are recurring and as such we believe they provide greater profit resilience. Non-recurring Vantage revenue streams include stockbroking commission, initial charges where our own financial advisers set clients up in the Vantage service, and other income.

The Discretionary division has an even higher proportion of net recurring revenue at 93% (2015: 92%), which is primarily the annual management charge on the HL Multi-Manager funds (£44.1m, 2015: £36.5m) and the management fees and ongoing adviser charges for the PMS service (£10.7m, 2015: £11.7m). In contrast the Third party and Other Services division is predominantly transaction based save for some renewal commissions on Venture Capital Trusts schemes and some contracted revenue within the Funds Library data service.

OPERATING COSTS

As highlighted in the Chief Executive statement, the business is well positioned to take advantage of the structural opportunity for growth in the savings and investments market. We have discretion over the timing of controlled, selective investment where we are confident in delivering attractive returns for our shareholders and will take advantage of this flexibility to deliver good returns. Operating costs increased by 13% to £108.2million (2015: £96.1million) during the year with 7% growth in operating costs in the second half, compared to 19% in the first half.

Staff costs remain our largest expense and increased by 13% in the year, after capitalising £2.3 million (2015: £1.2m) of Hargreaves Lansdown Savings and other IT developments. The number of staff employed on a full-time equivalent basis (including Directors) at 30 June 2016 was 942, and the average number of staff during the year was 969, an increase of 6%. The changes in staff

	Year ended 30 June 2016 £'million	Year ended 30 June 2015 £'million	% Movement
Operating costs:			
Staff costs	60.2	53.1	+13%
Marketing and distribution costs	11.2	12.7	-12%
Office running costs	4.8	4.3	+12%
Depreciation, amortisation & financial costs	6.1	5.1	+20%
Other costs	20.4	16.5	+24%
	102.7	91.7	+12%
Total FSCS levy	5.5	4.4	+25%
Total operating costs	108.2	96.1	+13%

numbers are in line with our strategic plans and our commitment to delivering a high level of service to our growing client base which will see us maintain our position as the UK's leading direct to client investment platform. Of particular note are increased staff numbers in HL Savings where we are developing a new digital cash deposit service and a Peer to Peer platform; in IT, where we have increased resource to deliver development projects, improved infrastructure and cyber security; in marketing, where we have increasingly focused on exploiting digital opportunities and in our subsidiary company, Library Information Services, where additional staff have been developing new services relating to Solvency II type products. Staff costs this year versus last include an additional £1.3 million of restructuring and redundancy costs and £0.6 million additional cost relating to share options.

Group marketing and distribution spend decreased by 12%, from £12.7 million to £11.2 million and includes the direct costs of printing and sending information and newsletters to existing and potential clients, media advertising, online marketing and client incentives. Despite the lower spend, the change in mix of our marketing activity with more emphasis and investment into digital marketing meant that we added 100,000 clients (2015: 84,000), new business was flat on last year and we have increased market share.

Use of mobile and digital media is a key strategic focus and increasingly resource has been deployed to exploit digital marketing opportunities and this has allowed commensurately lower spend on paper based marketing. We continue to invest significantly in paid search traffic, cost per click relationships, and the next generation of our smart phone and tablet apps. Our strength in digital media helps drive client and asset recruitment and subsequent retention.

Last financial year saw the launch of three new HL Multi-Manager Funds, the launch of the HL Retirement Planner embracing the new pension freedoms and the launch of HL Portfolio+, all of which gave rise to increased marketing and advertising costs. This financial year there were fewer such events with just two new HL Multi-Manager fund launches.

Office running costs increased from £4.3 million to £4.8 million following an increase in repairs and maintenance and business rates.

Depreciation, amortisation and financial costs have increased by £1.0 million as a result of increased capital spend in recent years, primarily on IT hardware and software for our core in-house systems.

Other costs rose by £3.9 million. The key drivers of this were the processing of foreign exchange on overseas equity deals (£1.5m) and additional dealing costs resulting from higher transaction volumes (£0.3m). Also included in this figure are increases in IT, regulatory spend and irrecoverable VAT (£1.1 m) and an increase in professional services relating to strategic initiatives (£0.8m).

The Financial Services Compensation Scheme ("FSCS") charge is outside of managements' control and increased by 25% to £5.5million. The FSCS is the compensation fund of last resort for customers of authorised financial services firms. All authorised firms are required to contribute to the running of the scheme and the cost of compensation payments. Contributions to the scheme are proportional to the amount of eligible income of a firm, rather than its risk profile or track record of running a compliant service. As such, as a large business we may be required to make a significant contribution to the cost of compensation on investments we have never recommended or been involved with.

TAXATION

The charge for taxation in the income statement decreased from £41.8 million to £41.6 million resulting in an effective tax rate of 19.0% compared to 21.0% last year. The standard UK corporation tax rate fell from 21% to 20% as from 1 April 2015 and remained at 20% through to 30 June 2016. An adjustment in respect of prior year tax and the impact of increased capital allowances and employee share acquisition relief in the period reduced the effective corporation tax rate below the standard 20% to 19.0%. Taxation of £3.1 million has been credited to equity relating to corporation tax relief on share options offset by a charge of £1.9 million arising from deferred tax on share options giving a total credit to equity of £1.2 million.

EARNINGS PER SHARE (EPS)

Diluted EPS increased by 13% from 33.1 pence to 37.3 pence. EPS is calculated as the earnings for the year divided by the total weighted average fully diluted number of shares, including those held by the Employee Benefit Trust (the "EBT"). Further information on the EBT and potential dilution of share capital is provided within the Directors' Remuneration Report.

PENSION SCHEMES

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

STATEMENT OF FINANCIAL POSITION AND CASH FLOW

The Group maintains a robust balance sheet which is free from debt, has a healthy ratio of current assets to current liabilities and retains a capital base over and above regulatory capital adequacy requirements. In addition to being attractive to clients, this provides both resilience and flexibility. The Group is highly cash generative and the cash conversion ratio measured by the operating cash flows as a percentage of operating profits remained high at 94%.

NON-CURRENT ASSETS

Capital expenditure totalled £6.6 million this year, compared with £5.5 million last year.

The cyclical replacement of hardware ensuring the capacity and the security of the

IT infrastructure amounted to £2.4 million compared with £2.5 million last year. £1.4 million was spent on computer software (2015: £1.7m) and capitalisation of other intangibles was £2.7 million (2015: £1.2 million).

We capitalised £1.2 million of staff costs (2015 £1.2 million) as part of the continued project to enhance the capacity and capability of our key administration systems. All of our core systems are developed and maintained in-house and as such we have significant IT resource dedicated to IT support and development. For the year ended 30 June 2016 an average of 117 staff (2015: 102) were employed in developing our systems with most of their related costs expensed within staff costs. Any costs relating to the development of new systems have been capitalised and are being depreciated over their useful economic life.

We have capitalised £1.1 million of staff costs relating to the development of the cash deposit and Peer to Peer platforms in HL Savings (2015: £nil). Again this will be depreciated over its useful economic life but only once it has been brought into use which is expected to be towards the end of the calendar year 2016.

Finally we capitalised £0.4 million relating to a book of business that was acquired from J.P. Morgan. As a result of the acquisition an additional £223 million of assets were added to the Vantage platform and an additional 4,312 clients. At the interim results these costs were expensed within marketing and advertising, but they will be now be amortised over their useful economic life and subject to an annual impairment review.

CURRENT ASSETS

Group cash balances totalled £208.2 million at the end of the year. The only significant cash outflows have been the 2015 second interim ordinary and special dividends totalling £121.4 million paid in September 2015 and a 2016 interim dividend of £36.8 million paid in March 2016.

Dividend (pence per share)	2016	2015	Change
First interim dividend paid	**7.80p**	7.30p	+7%
Second interim dividend declared	**16.30p**	14.30p	+14%
Total ordinary dividend	**24.10p**	21.60p	+12%
Special dividend declared	**9.90p**	11.40p	-13%
Total dividend for the year	**34.0p**	33.0p	+3%

Capital is defined as the total of share capital, share premium, retained earnings and other reserves. Total capital at 30 June 2016 was £254.2 million (2015: £237.1m) and this capital is managed via the net assets to which it relates. The Group has four subsidiary companies authorised and regulated by the Financial Conduct Authority (FCA). These firms have capital resources at a level which satisfies both their regulatory capital requirements and their working capital requirements. 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.

INCREASE IN COUNTERPARTY BALANCES

In accordance with market practice, certain balances with clients, Stock Exchange member firms and other counterparties are included in the balance sheet. These balances fluctuate according to the volume and value of recent trading. At the year-end, trade receivables and trade payables included counterparty balances of £560.9 million (2015: £363.2 million) and £555.5 million (2015: £361.9 million) respectively. The higher balances resulted from a significant increase in deal volumes post the EU Referendum until the financial year-end.

DIVIDENDS

The Board remains committed to a progressive dividend policy, and has declared a second interim (final) ordinary dividend of 16.30 pence and a special dividend of 9.90 pence per ordinary share. These dividends will be paid on 28 September 2016 to all shareholders on the register at the close of business on 16 September 2016. This brings the total dividends in respect of the year to 34.0 pence per ordinary share (2015: 33.0p), an increase of 3%. This total ordinary dividend pay-out equates to 65% (2015: 65%) of post-tax profits, with a further 26% (2015: 34%) of post-tax profits paid by way of special dividend. Any special dividend in future years will depend upon future cash requirements and therefore may vary.

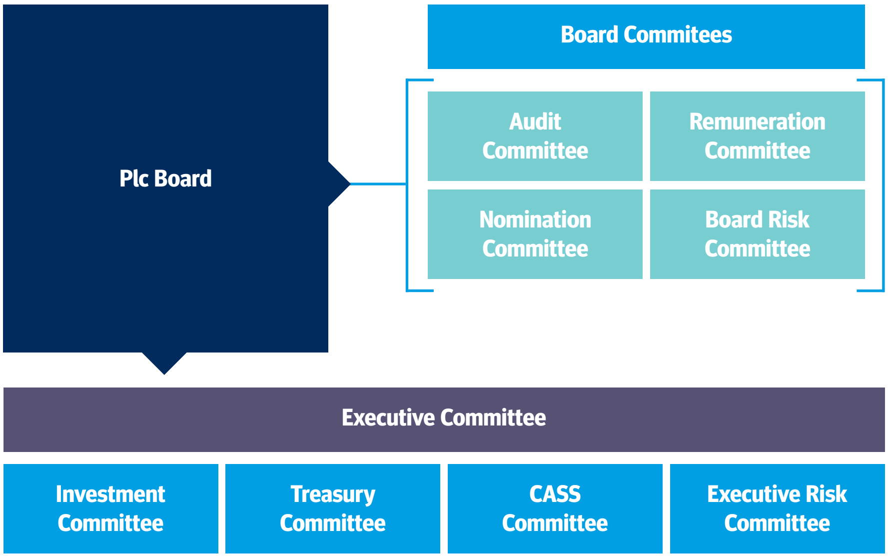
An arrangement exists under which the Hargreaves Lansdown EBT has agreed to waive all dividends.

Christopher Hill
Chief Financial Officer
6 September 2016

MANAGING OUR RISKS

THE RISK AND INTERNAL CONTROL FRAMEWORK

Hargreaves Lansdown comprises of 11 active legal entities, but manages risk at a consolidated level, ensuring all categories of risk are covered. The Group's risk framework and the internal control framework are designed to manage risk within agreed appetite levels and aligned to delivering both the Group strategy and good outcomes for our clients.



GOVERNANCE OF THE RISK AND CONTROL FRAMEWORK

Risk management is acknowledged to be a core responsibility of everyone at Hargreaves Lansdown. Oversight of risk and controls management is provided by Board committees and the Risk Team, which is part of the Group Risk and Compliance function.

Key governance committees relating specifically to the maintenance and oversight of the risk and control environment are the Executive Committee, the Executive Risk Committee (ERC), CASS Committee, the Board Risk Committees Audit Committee and the Investment Committee.

It is understood by the Chairs of all Committees, both Board and Executive, that risk is a core theme which is evident in all committee debates and discussions.

The activities of the Board and Executive Committees are detailed in the Corporate Governance section, pp37-43.

There are three sub-committees of the Executive Committee that support the management of the risk and internal control framework. As explained on p.41, the Investment Committee is a sub-committee of the Executive Committee, which is chaired by Jayne Styles, Non-Executive Director. From 2017 the Board has agreed to a change to the Terms of Reference making it a sub-committee of the Board.

RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

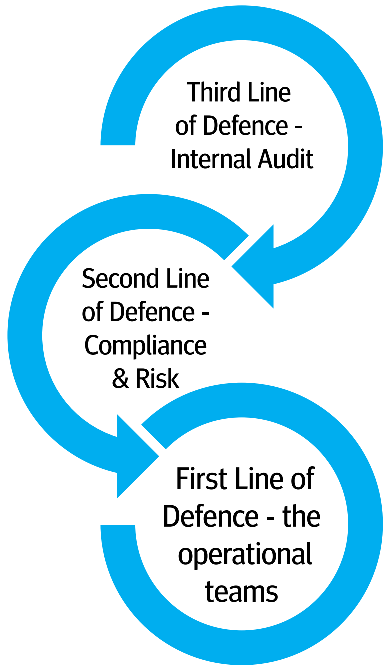
The basis for the Internal Control Framework is the 'three lines of defence' model. Risk management is primarily the responsibility of the operational teams which constitute the 'first line'. Oversight and guidance is provided by the 'second line' through the Risk and Compliance department and the Legal team. Independent oversight of the internal controls of the business is the responsibility of the Internal Audit function.

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

Both the Internal Audit function and the Compliance Monitoring team perform a number of audits during the year covering the adequacy of controls and compliance with regulation.

Results from this assurance activity are reported to both the Executive Committee and the Board and shared for action with the operational teams around the business. Progress against actions is monitored and reported on by the Compliance Monitoring team and Internal Audit respectively.

The Group has an ongoing process for identifying, evaluating and managing the principal risks that it faces. The Board has reviewed the process over the course of the year. The Board considers acceptance of appropriate risks to be an integral part of business and unacceptable levels of risk are avoided or reduced and, in some cases, transferred to third parties. Internal controls are used to identify and manage risk. The Directors acknowledge their responsibility



for establishing and maintaining the Group's system of internal control, and for reviewing its effectiveness. The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives. It provides reasonable but not absolute assurance as to the effectiveness of the safeguards protecting the business against the risk of material error, loss or fraud. In that context, the review, in the opinion of the Board, did not indicate that the system was ineffective or unsatisfactory and the Board is not aware of any change to this status up to the date of approval of this Annual Report.

The Board has carried out a review of the effectiveness of the Group's risk management and internal control environment and such reviews are supported on an ongoing basis by the work of the Audit and Risk Committee. The Board is satisfied that processes are in place to ensure that risks are appropriately managed.

At the end of the year the Chief Risk Officer prepared a report on the design and operating effectiveness of the system of internal controls and presented it to the Risk Committee. The report included a review of processes in place to report and monitor risk appetite, risk tolerance and exposures and reviewed the effectiveness of mitigating strategies and risk management procedures. It also recognised improvements that had been made to the Risk Management Framework during the period. Having challenged and discussed the report's conclusions, the Risk Committee then commended it to the Audit Committee.

The Audit Committee is tasked by the Board to review and recommend the statements to be included within the report concerning internal controls. The report from the Risk Committee is a key input into its consideration. In addition, as well as reports from Internal Audit throughout the year, the Audit Committee received a report from the Head of Internal Audit expressing his independent view of the design and operating effectiveness of the system of internal controls throughout the year. The committee also considered its consultations with the External Auditors through the year, its own regular review of controls self-assessment reports and the Group's "tone from the top" with regard to risk management and control.

Any control weaknesses that these procedures identify are monitored and addressed in the normal course of business. None of the weaknesses identified in the year to 30 June 2016 have resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's Annual Report.

RISK FRAMEWORK

The Hargreaves Lansdown Risk Framework comprises a number of elements. The core elements for capturing, managing and then reporting and monitoring risks are the Risk Universe, Risk Appetite and Risk Reporting Process.

Risk Universe

Hargreaves Lansdown has a comprehensive Risk Framework, capturing both forward looking and current business risks. Materials are reviewed by the Board and Executive Management on a rolling basis with support from the second line business functions.

The Company has a documented and agreed Risk Universe, which sets out the high level risk categories to which the business is exposed and to which all risks are linked. Risks are captured both top-down and bottom-up with clear ownership. The Risk Universe ensures that there is completeness in the capture of risks and that there is consistency of treatment across all risk categories. The Executive and Departmental Risk categories are explained in the Risk Reporting section below.

Executive Risks	Departmental Risks
Strategic	Financial
Emerging	Operational

Risk is reported on a monthly basis at the ERC and at every Board Risk Committee by the Risk Team, ensuring that there are appropriate levels of transparency, discussion and challenge.

Risk Appetite

Hargreaves Lansdown has agreed risk appetite statements and risk tolerance levels. The appetite statements cover all areas of the Risk Universe. These are agreed by the Board

‹ BACK TO CONTENTS

and are monitored and managed within the risk and control framework. Through the use of the Risk Framework the business balances risk and reward within the capital adequacy levels agreed within the Risk and Control Governance Framework by the Board under the Individual Capital Adequacy Assessment Process (ICAAP) regime.

For each risk appetite statement the Board has agreed inner and outer limits, which set out the levels for formal escalation. A breach of the inner level requires escalation to the ERC (or the Treasury Committee if applicable), a breach of the outer level requires escalation to the Board Risk Committee.

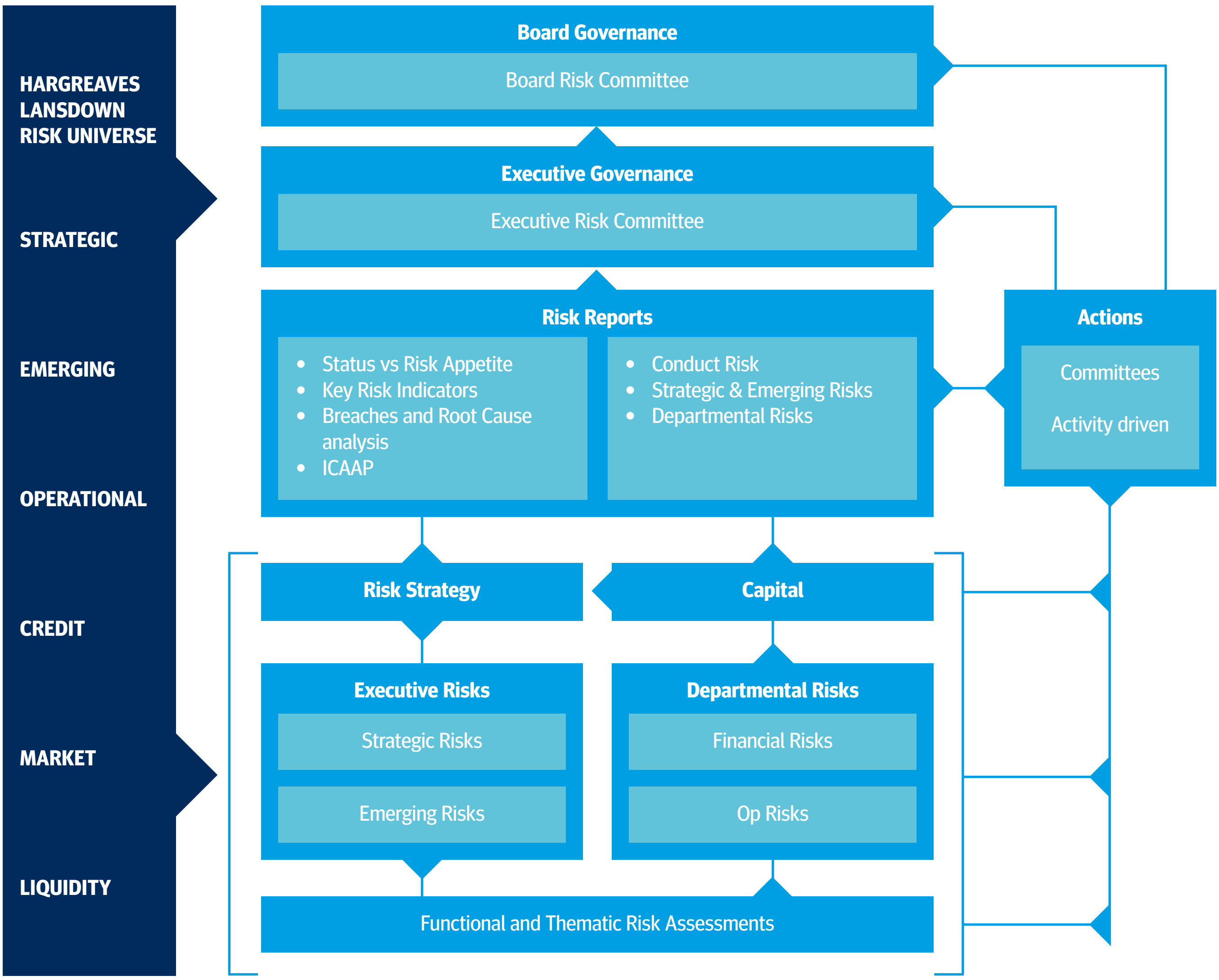
A further layer of risk appetite management is in place through the operational risk limits agreed for the risks captured under the Operational Risk category. These are managed by the Risk Team, with oversight and approval from the ERC.

Risk Reporting Process
The Hargreaves Lansdown risk universe consists of Executive Risks and Departmental Risks. The Executive Risks are the forward looking risk profile and are made up of two risk sets: strategic and emerging.

The Departmental Risks are the consolidated view of the risks to which the business is currently exposed and managed in the course of normal business activity.

The first line of defence owns and is responsible for managing risk. There are also teams with areas of specific focus to support the maintenance of a strong control framework; CASS Oversight and IT Security. In the second line the Compliance & Risk function includes teams focussed on anti-money laundering, fraud, compliance advice,

RISK FRAMEWORK AND REPORTING SCHEMATIC



compliance monitoring and risk.

The risk profile is reported in two outputs, both based on the same data and linked to the risk universe.

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

Individual Capital Adequacy Assessment Process (ICAAP)
A key aspect of risk reporting is the ICAAP. The Capital Requirements Directive (CRD) IV applies to Hargreaves Lansdown and as such Hargreaves Lansdown complies with the ICAAP regime. The primary purpose of the ICAAP is to ensure that there is a clear, accurate and transparent link between the risk profile of the business and the capital adequacy level set by the firm. ICAAP compliance is overseen by the Board Risk Committee, with day to day management of compliance by the second line Risk Team.

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

THE HARGREAVES LANSDOWN RISK PROFILE AND OUR PRINCIPAL RISKS AND UNCERTAINTIES

Managing risk is central to the delivery of high levels of client service. Risk management is understood and embedded at all levels of the business and the risks are captured and managed accordingly. Group Risk provide regular challenge and advice in the content, maintenance and reporting of all risk materials.

EXECUTIVE RISKS

The Executive Risks (strategic and emerging) are forward looking risks to the business and are owned and managed by members of the Executive Committee. Given the nature of these risks they are managed through planning, monitoring and action setting. These are reported and discussed at both the Board Risk Committee and the Executive Risk Committee. The Executive Risk Committee meets monthly and the Board Risk Committee four times a year. This governance arrangement is the primary method for managing these forward looking risks to the business.

New risks are discussed upon identification and then further assessed as they become more defined and their probability becomes more exact. Where appropriate, management actions are agreed and monitored. A recent example was the project to prepare for the outcome of the UK referendum on European Union membership, which resulted in a plan that allows the Group to maintain client service levels in the event of either outcome. Other risks discussed during 2015/2016 include the potential impacts of negative interest rates, Markets in Financial Instruments Directive (MIFID) II, Payment Services Directive (PSD) II and changing demographics.

DEPARTMENTAL RISKS

The Departmental Risks (financial and operational) occur during the ordinary course of business and are owned by senior managers. Risks are captured across a number of categories including; credit, market, liquidity, information technology, anti-money laundering & fraud, outsourcing, business continuity and conduct. For each risk category a set of risk limits have been agreed by the business and are monitored and reported to management.

Risks are captured in team based risk registers, and then reported at both team and at a consolidated level, enabling team based management of risk and controls and executive understanding of trends and risk at the risk universe level and by risk category. Thus anti-money laundering risks and controls can be owned and managed by the processing teams, and the Money Laundering Reporting Officer (MLRO) and other senior and executive management can also view the status of money laundering risk at a Company level.

PRINCIPAL RISKS & UNCERTAINTIES

Managing the risks to Hargreaves Lansdown is fundamental to delivering the levels of service our clients expect and generating returns for shareholders. The Board have periodically carried out a robust assessment of the principal risks facing the Company, 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. In assessing the longer term viability of the Company (see Viability Statement in the Directors' report) the Board has considered the principal risks.

The principal risks and uncertainties facing the Company are set out in the table below along with how we intend to suitably mitigate those risks.

RISK	MITIGATIONS
STRATEGIC & EMERGING RISKS	
Hargreaves Lansdown strategic change There is a potential risk that Hargreaves Lansdown fails to continue to provide innovative propositions and services to the market or to react to the changing political, economic, social and technological environment. **Key developments during the period were the;** • development of Peer to Peer and Deposit Service propositions • launch of new Multi-Manager funds • preparation for the launch of a new equity fund	• The Board reviews the strategy in the context of the political, economic, social and technological environment • There is a Steering Group providing oversight of the development of the Peer to Peer and Deposit Services propositions • A project team ensures that the business would be able to manage any changes in business activity as a result of the UK referendum on European Union membership
Future regulatory change Managing implementation of regulatory change has been a major element of the emerging risks in recent years. Key changes considered by the business have included; • Sunset clause (April 2016). • EU Membership Referendum • New European General Data Protection Regulation • Fourth Anti-Money Laundering Directive • MIFID 2	• HL ceased the collection of platform cash rebates • Project managed the results of the EU Membership referendum • Projects have been initiated led by the Group MLRO to meet the revised requirements of the European General Data Protection Regulation and the 4th Anti-Money Laundering directive • There is an ongoing project to ensure that Hargreaves Lansdown will comply with the revised requirements of MiFID II
OPERATIONAL RISKS	
Conduct The risk that Hargreaves Lansdown poses to the achievement of fair client outcomes and to stability and transparency in financial markets	• Hargreaves Lansdown monitors and assesses ways in which clients could experience poor outcomes and monitors Management Information against these • Conduct Risk Management Information is discussed at the Board Risk Committee as part of the wider Risk Management Information
Legal & Regulatory Failure to comply with current, new or revised regulations or failure to prevent inappropriate conduct by staff could result in fines, legal action or regulatory sanctions	• Independent Compliance, Compliance Monitoring and Internal Audit functions, strong governance including Board oversight • Strong compliance culture geared towards client outcomes and regulatory compliance • Formal compliance manuals in place for each area of the business • Independent risk management function • Regular updates from External Auditors

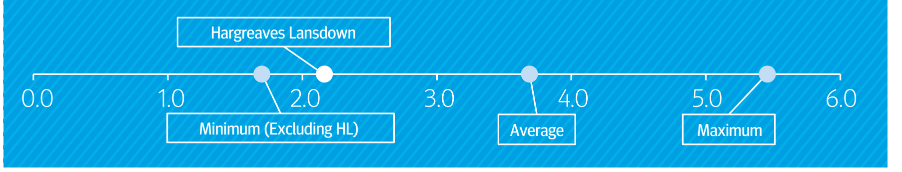
RISK	MITIGATIONS
OPERATIONAL RISKS	
Disruption to business Physical business continuity event or catastrophic loss of systems, or other external event could cause disruption to our business and result in inability to perform core business activities or reduction in client service	• Business Continuity and Disaster Recovery plans in place and 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 • Ongoing project to upgrade and enhance our IT operating platform • Large, experienced in-house team of IT professionals and established name suppliers • Monitoring of critical devices and systems in place
Financial Crime, Fraud, Information Security & Data Protection 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	• Dedicated Information Security, Anti Money Laundering and Client Protection teams in place • Formal policies and procedures in place with ongoing review and monitoring to check adherence • A programme of training and awareness carried out across the business • Externally audited and compliant to the Payment Card Industry Data Security Standard • A rolling risk-based programme of penetration and vulnerability testing in place • A Security Operations Centre focussed on the detection, containment, and remediation of information security threats • Advanced malware protection in place
Information Technology As a platform business with a proprietary platform tool, it is imperative that there is a strong control environment to support the business model	• Strong in-house IT function • Regular testing of the performance of the IT Architecture • All new IT releases subject to stringent testing including regression testing • Regular load tests and stress tests • Forecasting of client demand to support the effective management of peaks and troughs in system demand • Access controls to HL systems • Regular senior management review of the change programme
People Failure to recruit or retain appropriately skilled and experienced staff may have a material adverse effect on the Group's operations and implementation of its strategy	• Career development path in place including talent management programme • Continuous programme of SAYE and share option schemes to incentivise staff and encourage retention • Contracts for relevant roles have restrictive covenants and enhanced notice periods are in place for key staff • Support and encouragement for taking qualifications

RISK	MITIGATIONS
FINANCIAL RISKS	
Market Risk 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	• The Group model comprises both recurring platform revenue and transaction-based income • A high proportion of the assets under administration are held within tax-advantaged wrappers, meaning there is a lower risk of withdrawal • The Group model includes the ability to earn margin from cash management services when clients decide to shelter assets from market volatility
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	• Hargreaves Lansdown is a highly cash generative business with a low working capital requirement • 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
Bank default The Group must always protect against the risk that a bank could fail	• We manage this risk by placing deposits only with highly credit-rated institutions, in accordance with the Treasury Policy and overseen by the Treasury Committee • The Treasury Committee monitors the counterparties' credit ratings on a regular basis
Interest rates Reduction in interest rates or regulatory changes affecting interest income could lead to a decline in earnings	• Using a range of banks and varying terms of deposit where permitted
Prudential risk The risk that the Group may hold insufficient regulatory capital resources in order to meet FCA Threshold Condition requirements	• As part of the ICAAP, HL 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 • This process is overseen by the Board of Directors

CORPORATE SOCIAL RESPONSIBILITY

AT HARGREAVES LANSDOWN, WE WANT TO MAKE SURE THAT OUR IMPACT ON SOCIETY IS A POSITIVE ONE. OUR COMPANY VALUES ARE ROOTED IN PROVIDING GREAT SERVICE AT GREAT VALUE. WE BELIEVE THAT DOING THE RIGHT THING MAKES GREAT BUSINESS SENSE. FOR MORE INFORMATION VISIT OUR WEBSITE AT WWW.HL.CO.UK/INVESTOR-RELATIONS/CORPORATE-SOCIAL-RESPONSIBILITY.

TONNES CO_2e PER EMPLOYEE PER YEAR



OUR CULTURE

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

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

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

To ensure we are getting things right with clients, we listen to them about the changes they would like to see to our services and we encourage and actively seek feedback from clients. If clients ever feel the need to complain, our complaints handling team carefully investigates our client's complaint and endeavours to provide them with a fair resolution. We benchmark our performance in treating clients fairly against statistics published annually by the Financial Ombudsman Service for the industry. The results for the 2016 financial year compared to the last figures published by the Ombudsman show that Hargreaves Lansdown is achieving good results in treating our clients fairly.

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

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

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

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

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

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

ENVIRONMENT

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

Three years ago we commissioned a report to investigate our output of greenhouse gas emissions and reductive measures we could undertake (for more information visit www.hl.co.uk/csr). As part of this report Hargreaves Lansdown was compared to FTSE 100 companies in the same sector and this comparison has been updated in the chart above. The results demonstrate the relatively low impact our business has on the environment.

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

Environmental initiatives: Our objective of reducing waste and minimising the environmental impact of our business is aligned with our objectives of protecting client data, reducing costs, and improving efficiency. It is our aim to deal with clients and other businesses electronically wherever possible not only to speed up information transfer but also to reduce the amount of

THE GREAT HL BAKE-OFF WINNER – EMILY BUTLER WITH IAN GORHAM AND CAROLINE BOOTH-MORRIS FROM ST PETER'S HOSPICE

	30 June 2016	30 June 2015	
Vantage clients registered as paperless	73%	71%	↑
Vantage client equity deals placed online	98%	97%	↑
Clients registered to use our online services	88%	88%	↔

paper we use. We have invested heavily in providing a user-friendly, comprehensive website and automated links to banks and fund providers. The benefits will grow as more people and businesses choose to transact business and receive information online. We aim to increase the take-up of online and paperless services, and have been successful in doing this during the year.

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

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

Electricity usage: Our electricity usage is not high enough to mean that we have to participate in Phase 2 of the Carbon Reduction Commitment (CRC) Energy

FTSE4Good

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

INVESCO PERPETUAL LAKES CHALLENGE

£15,000

AMOUNT RAISED BY INDIVIDUALS FROM HARGREAVES LANSDOWN WHO COMPETED IN THE INVESCO PERPETUAL LAKES CHALLENGE

Global GHG emissions data for period 1 July 2014 to 30 June 2016 (unaudited)

	Tonnes of CO_2e		
Emissions from:	Current reporting year 2015-2016	Comparison year 2014-2015	Change (%)
Combustion of fuel and operation of facilities	400.8	354.2	+13%
Electricity, heat, steam and cooling purchased for own use	1,673.4	1,627.0	+3%
Tonnes of CO_2e per average full-time equivalent employee	2.14	2.18	-2%

Efficiency Scheme. This scheme is compulsory for UK organisations that consumed over 6,000 MWh of half-hourly metered electricity for the period 1 April 2012 to 31 March 2013. During that period we consumed well below that level and for the year ended 30 June 2016 we had consumed only 4,061 MWh (2015: 3,520 MWh).

Greenhouse gas emissions: In 2013 we engaged a consultant to assess our carbon emissions and benchmark us against other firms in our sector. The report was positive and reinforced our belief that we were already making good progress towards being resource efficient. For the year ending 2016 our use of refrigerant gases and fuel consumed per employee increased by 6% (2015: 44% rise) while our electricity use per employee decreased by 3% (2015: 0%) compared to the previous year. The increase in electricity use was driven by the occupation of additional floor space, and additional computing power, in our head office.

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

COMMUNITY

With the exceptions described below, we have made it Company policy to focus our support and fundraising activities on one charity or non-profit organisation each year which is selected from suggestions received from employees within the Group. We do not make political donations. During 2016 the chosen charity was the "St Peter's Hospice". St Peter's Hospice is a Bristol charity caring for adults with life-limiting illnesses. They aim to improve the quality of their living and dying while extending care and support to their families and loved ones. They do this by providing physical, psychological and spiritual care for patients in their own homes as well as at the Hospice. They also teach other healthcare professionals about how to care for people at the end of their lives.

Charitable activity outside of our chosen charity for the year

- The Group supports a grass-roots sports club. A monthly donation is made to the Bristol & West Athletics Club which is the leading all-round athletics club in the South West of England.
- As in previous years we have continued to support the Bristol Children's Hospital Grand Appeal and we were proud sponsors of a Shaun the Sheep and have been actively raising awareness of the appeal.
- We have again supported teams of staff from Hargreaves Lansdown who competed in the Invesco Perpetual Lakes Challenge in September of last year. This is a challenging event, facilitating team bonding whilst raising money for the Youth Adventure Trust, which aims to provide outdoor adventure programmes for youths in order to help give them hope, confidence and life skills to meet the challenges in their lives.

The Group also makes significant tax payments which help society as a whole. Corporation tax and employer's national insurance paid in respect of the year ended 30 June 2016 was £47.6 million (2015: £46.4 million). In addition we pay other taxes such as VAT, stamp duty and business rates.

Campaigning: The Company also actively seeks to lobby via public consultation documents where they believe that investors in the UK will benefit.

HL FOUNDATION

Launching the Hargreaves Lansdown Foundation and Volunteer Scheme

On the 1 September 2016 the Company launched the Hargreaves Lansdown Charitable Foundation (the Foundation). This will move the Group's focus away from one nominated charity per year to between four and eight employee nominated charities. The Foundation is a charitable incorporated organisation set up through an independent solicitor and is a registered charity. It focuses on supporting four key areas which include 'The next generation' e.g. mentoring programmes, youth groups, financial and other education, 'Well-being' e.g. health and sport, 'Improving Lives' e.g. disadvantaged children, injured servicemen and women and finally 'Communities' which includes local projects.

The following charities, as nominated by the Company's employees, will be supported by the HL Charitable Foundation for the next three years:

Next Generation
The Prince's Trust
Youth Adventure Trust

Well-being
Cancer Research UK

IMPROVING LIVES
Guide Dogs for the Blind

Communities
Great Western Air Ambulance

The Foundation aims to provide a centralised focus for fund raising efforts, improve support and increase the money raised for charitable causes and improve links with our local communities and national charitable groups. All of the legal and administration costs will be met by the Company so 100% of the money raised will go to the employee nominated charities. The day to day running of the Foundation will be by Hargreaves Lansdown volunteers. More details can be found on the website www.hl.co.uk/investor-relations/corporate-socialresponsibility.

OUR PEOPLE

WE ARE COMMITTED TO RECRUITING AND RETAINING TALENTED PEOPLE WHO PUT OUR CLIENTS AT THE HEART OF OUR BUSINESS.

PEOPLE BEHIND THE PLAN

Our people are at the heart of Hargreaves Lansdown, bringing our values to life and putting our strategy into action to be the UK's number one choice for savings and investments. To create value for our shareholders we must engage employees in our strategic plan and ensure we have the right people with the right skills and experience to drive our growth ambitions.

Hargreaves Lansdown provides a dynamic and friendly working environment for around 1,000 employees mostly located at our office in Bristol. We believe that our people should be proud of what they achieve together, with a strong sense of belonging to Hargreaves Lansdown and know that we recognise the crucial role that our employees play in our success.

DIVERSITY AND EQUALITY

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

We give full consideration to applications for employment from disabled persons, where the candidate's aptitudes and abilities are consistent with meeting the requirements of the job. If members of staff become disabled the Group continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary. A full assessment of any disabled employee's needs is undertaken and reasonable adjustments are made to the work environment or practices in order to assist them.

A PREMIER DESTINATION FOR TALENTED PEOPLE

To attract and retain the right people we offer a competitive reward package which includes independently benchmarked pay and benefits. We believe that working together as a team is the key to our success and so to complement our salary structure we include over 85% of our employees in a Group bonus scheme, linked to the financial success of Hargreaves Lansdown and distributed on an individual performance related basis identified via a performance appraisal system. To encourage employees to share in the success of our business we offer immediate entry into our SAYE scheme and over 40% of eligible employees joined the 2016 scheme.

To complement the direct financial rewards we provide pension contributions and life cover. From January 2017 we are introducing new benefits including health checks, extended holiday entitlements, medical health cover and health cash plans. Employees can also extend their benefit selections in line with personal preferences to include such benefits as the government backed cycle-to-work initiative.

ENGAGING OUR PEOPLE

It is crucial that our people understand our priorities and are engaged in the development of our business. Hargreaves Lansdown actively encourages employee involvement and consultation and places emphasis on keeping its employees informed of the Company's activities, macroeconomic conditions, regulatory issues and financial performance by such means as six-monthly presentations given by the Chief Executive, the employee intranet and publication to all staff of relevant information and corporate announcements.

	2016		2015	
	Male	Female	Male	Female
Company Directors[1]	5 (71%)	2 (29%)	5 (83%)	1 (17%)
Other senior management[2]	28 (88%)	4 (12%)	21 (91%)	2 (9%)
Total employees	658 (70%)	284 (30%)	685 (71%)	285 (29%)
	Total workforce FTE = 942 As at 30 June 2016		**Total workforce FTE = 970** As at 30 June 2015	

Notes:
1. Company Directors consists of the Company's Board as detailed on page 50 to 51.
2. Other senior management is defined as an employee who has responsibility for planning, direction or controlling the activities of the Company, or a strategically significant part of the Company, other than the Company Directors.

We believe that listening and understanding our employees' motivation and feedback is crucial in deciding our employee engagement programme. This year we partnered with the Hay Group to benchmark our employee engagement against other high performing organisations and those in our industry. We were delighted to have a 72% response rate, followed up with focus groups comprising 15% of employees.

Over 90% of employees who completed the survey feel proud of the quality of our products and services, our focus on clients and would recommend Hargreaves Lansdown to friends or relatives. All three areas placed us between 13% and 19% ahead of the external benchmarks.

In terms of work in progress we need to set out career, training and reward structures more clearly and improve our internal communications.

LEARNING, DEVELOPMENT AND COMMUNICATION

To continue to engage and develop our people, we have introduced a range of new initiatives: a Learning and Development team, a learning curriculum, management qualifications and will open the Hargreaves Lansdown Learning Academy (due for completion in autumn 2016). We support our employees in their continuing personal and professional learning and development and encourage attendance at external and internal programmes. This year we piloted a leadership development programme for our senior colleagues and our Executive Team to encourage broader business wide thinking and build the skills to develop high performing teams. To enhance our internal communications a new team have been tasked with ensuring that key leadership messages are communicated across the business.

PROGRAMMES FOR YOUNG PEOPLE

In September 2016 we launch the Hargreaves Lansdown Apprenticeship Scheme, welcoming young people to train with us in our IT, Digital and Operational teams. Our industrial placement scheme continues to be in high demand and we have piloted a new internship for students to gain invaluable work experience in summer 2016. We were delighted to receive external recognition for our graduate programme by being ranked in the Top 100 companies for graduates.

HUMAN RIGHTS

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

02
GOVERNANCE

GOVERNANCE OVERVIEW FROM THE CHAIRMAN

SOUND AND EFFECTIVE GOVERNANCE IS AT THE HEART OF THE WORK OF THE BOARD, FOCUSSED ON ENSURING GOOD OUTCOMES FOR OUR VALUED CLIENTS AND LOOKING AFTER THE INTERESTS OF ITS SHAREHOLDERS AND OTHER STAKEHOLDERS. THIS SECTION OF THE REPORT AND FINANCIAL STATEMENTS PROVIDES AN INSIGHT INTO THE GOVERNANCE OF THE COMPANY.

The Group complies with the UK Corporate Governance Code ('the Code'). The statement of compliance can be found on page 52. Key areas of note are the disclosures surrounding the support that the Audit Committee has provided to the Board with regard to the viability statement and in making the statement that the Report and Financial Statements when taken as a whole are fair, balanced and understandable.

BOARD

During the year we strengthened our Board with the appointment of Jayne Styles as an independent Non-Executive Director and Chair of the Investment Committee in October 2015 and Christopher Hill as Chief Financial Officer in February 2016. In the course of the 2016/7 financial year, we intend to start the search process for an additional independent Non-Executive Director to further strengthen the Board and ensure that we continue to develop the appropriate range of skills and experience.

STRATEGY

A specific outcome of our externally facilitated Board Effectiveness Review last year was to increase the focus of the Board and time spent on strategy. During the year we have held two Board strategy days; the first in December, and the second in June immediately after the outcome of the EU Referendum. Despite the uncertainties that lie ahead as a result of the EU Referendum, the Board is confident of its strategic direction, the measures in place to track progress by an enhanced risk framework and refreshed Internal Capital Adequacy Assessment Process (ICAAP). The agenda for the Board over the coming year will contain regular milestone reporting on progress against the strategic plan.

PEOPLE

Within the Group we want to ensure that we have the right talent, and the right balance and diversity of expertise, skills, background, gender and perspectives. We set out on page 44 to 45 the increased focus and investment we are making in development opportunities for our colleagues. The Nomination Committee has worked hard on succession planning, as reported on page 85. It is also vital that we have on the Board sufficient diversity, and also independence of thought and action. All Board appointments are made on merit, while at the same time considering the diversity required for an effective Board, including diversity of skills, experience, background and gender. Details of our diversity policy can be found on page 84, and a copy of our full statement on Board Diversity can be found on www.hl.co.uk.

ALL BOARD APPOINTMENTS ARE MADE ON MERIT, WHILE AT THE SAME TIME CONSIDERING THE DIVERSITY REQUIRED FOR AN EFFECTIVE BOARD, INCLUDING DIVERSITY OF SKILLS, EXPERIENCE, BACKGROUND AND GENDER

WORKING EFFECTIVELY

As Chairman, my prime responsibility is to ensure that the Board is operating effectively and focusing its time, attention and efforts on the right matters. During the year, the Board made good progress against its agreed action plan following last year's externally facilitated review and I asked Internal Audit to review our position mid-way through the year. This year, the Board Effectiveness Review was facilitated by me, with one to one discussion with each of the Directors and the Company Secretary. More details can be found on page 85.

Mike Evans
Chairman
6 September 2016

THE BOARD

KEY TO COMMITTEES

- N Nomination
- A Audit
- R Risk
- Rm Remuneration
- Cc Committee chair

CHAIRMAN

MIKE EVANS, FIA:
CHAIRMAN

Appointed: Chairman in December 2009, Non-Executive Director in September 2006

Skills, competence and experience:
Mike is an Actuary with extensive financial services experience. During his 20 year career with Skandia where he served as the Chief Operating Officer, he gained significant strategic and operational experience. He has broad experience as a Director and chairman with relevant knowledge of regulation and governance. His collegiate approach ensures an open yet robust debate in the boardroom.

Other current appointments:
Non-Executive Chairman of Zoopla Property Group plc
Senior Independent Non-Executive Director of Chesnara plc

EXECUTIVE DIRECTORS

IAN GORHAM, ACA:
CHIEF EXECUTIVE

Appointed: September 2010

Skills, competence and experience:
Ian is a natural leader with a firm grasp of the commercial marketplace and regulatory framework. He has a significant amount of financial services experience having worked with many companies on a wide range of strategic and operational matters during his time at Deloitte and Grant Thornton where he headed their UK financial services business. A Chartered Accountant, Ian joined Hargreaves Lansdown in 2009 as Chief Operating Officer, subsequently being appointed Chief Executive Officer.

Other current appointments:
None

CHRISTOPHER HILL, ACA:
CHIEF FINANCIAL OFFICER

Appointed: February 2016

Skills, competence and experience:
Christopher has considerable finance and accounting experience as well as operational and leadership skills from a number of business sectors, most recently as Chief Financial Officer at IG Group Holdings plc, a FTSE 250 online trading platform for retail customers and prior to that as Chief Financial Officer at Travelex. Christopher qualified as a Chartered Accountant at Arthur Andersen and is an associate member of the Association of Corporate Treasurers.

Other current appointments:
None

INDEPENDENT NON-EXECUTIVE DIRECTORS

CHRISTOPHER BARLING:
SENIOR NON-EXECUTIVE DIRECTOR

Appointed: August 2010

Skills, competence and experience:
Chris is a technology entrepreneur with a vast amount of IT industry experience. He worked in senior positions for Cable & Wireless and Reuters, co-founded Actinic which specialised in ecommerce solution for SMEs. He is Chairman of User Replay, a digital consumer experience analytics software provider.

Other current appointments:
Non-Executive Chairman of User Replay Limited
Co-founder and Chairman of Powered Now Limited

SHIRLEY GARROOD, ACA:
NON-EXECUTIVE DIRECTOR

Appointed: October 2013

Skills, competence and experience:
Shirley has extensive and relevant executive and non-executive financial services experience. A Chartered Accountant, she served as Chief Financial Officer and Chief Operating Officer at Henderson Group plc and as an Executive Director at Morley Fund Management (Aviva). She also has broad experience as a Non-Executive Board Member, chairing committees of a listed company and a G15 housing association.

Other current appointments:
Deputy Chaiman and Senior Independent Non-Executive Director of esure Group plc

STEPHEN ROBERTSON, FRSA:
NON-EXECUTIVE DIRECTOR

Appointed: October 2011

Skills, competence and experience:
Stephen has broad marketing and digital skills and experience derived from a career in the retail sector, serving 15 years on the boards of major UK retailers and then as Director General of the British Retail Consortium. Stephen has a keen interest in the client experience and has well-honed people skills.

Other current appointments:
Chairman of West of England Local Enterprise Partnership (LEP)
Non-Executive Director of Timpson Group plc
Non-Executive Director of Clipper Logistics plc

JAYNE STYLES:
NON-EXECUTIVE DIRECTOR

Appointed: October 2015

Skills, competence and experience:
Jayne's career of over 25 years in the investment management world brings a wealth of relevant financial services experience. Currently the Chief Investment Officer at MS Amlin, she is responsible for the investment strategy, governance and operations of their £5bn plus global, multi-asset, Multi-Manager portfolios. As a current executive, Jayne has current strategic and operational experience. Jayne has an Executive MBA from Cranfield School of Management and is a Fellow of the Chartered Institute of Bankers.

Other current appointments:
Chief Investment Officer, MS Amlin

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE STATEMENT

STATEMENT OF COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE

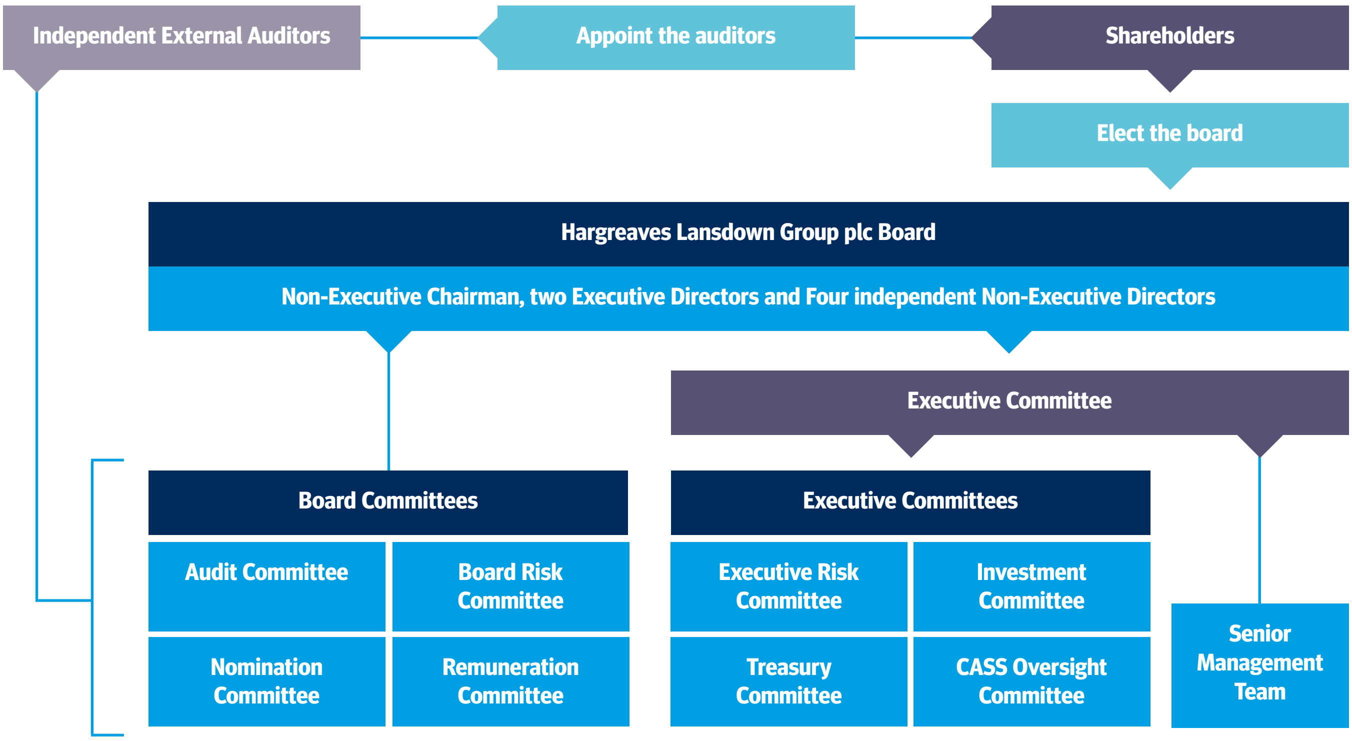
The Code sets out the standards of good practice in relation to how a company should be directed and governed. The Code is published by the Financial Reporting Council (FRC) and further information can be found on its website at frc.org.uk.

The Directors confirm that the Group complied with all of the provisions of the Code throughout the year ended 30 June 2016 and confirm that the Board believes the Annual Report and Financial Statements for 2016 taken as a whole, are fair, balanced, understandable and provide the information necessary for shareholders to assess position and our performance, business model and strategy.

Further explanation of how the main principles and supporting principles of the Code have been applied is set out in this Corporate Governance statement and in the Directors' Remuneration Report.

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

OVERVIEW OF CORPORATE GOVERNANCE FRAMEWORK AS AT 30 JUNE 2016



The Group operates within a clear governance framework. The Group's internal control and risk management framework is discussed in the Managing our risks section on page 33. Certain responsibilities of the Board are delegated to the Board Committees to assist the Board in carrying out its functions and to ensure independent oversight of internal control and risk management. Other non-board committees form part of the Corporate Governance framework, but are not formally appointed committees of the Board. These committees feed back to the main Board and Board Committees via their Chairman or an Executive Director where appropriate.

LEADERSHIP

ROLE OF THE BOARD

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

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

Except for the schedule of matters reserved for decision by the Board, the Board has delegated the day-to-day management of the Group to the Chief Executive who is supported by the Executive Committee and senior management. The Chief Executive and Executive Directors of the Group are responsible to the Board for developing strategy and the profitability and overall performance of the Group.

BOARD STRUCTURE

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

CHAIRMAN

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

CHIEF EXECUTIVE OFFICER

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

CHIEF FINANCIAL OFFICER

The Chief Financial Officer supports the Chief Executive Officer in implementing the Group's strategy and in the operational performance of the business.

NON-EXECUTIVE DIRECTORS

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

SENIOR INDEPENDENT DIRECTOR

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

COMPANY SECRETARY

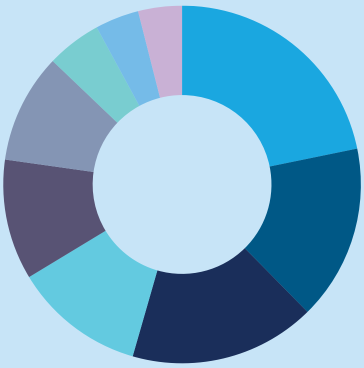
The Company Secretary supports and works closely with the Chairman, the Chief Executive Officer and the Board Committee Chairmen in setting agenda items for meetings of the Board and its committees. The Company Secretary is responsible to the Board for ensuring Board procedures are followed, applicable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

ATTENDANCE AT THE BOARD MEETINGS

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

	Meetings eligible to attend	Meetings attended
Chairman		
Mike Evans	**9**	9
Independent Non-Executive Directors		
Chris Barling	**9**	8
Shirley Garrood	**9**	9
Stephen Robertson	**9**	7
Jayne Styles	**6**	5
Dharmash Mistry	**2**	2
Executive Directors		
Ian Gorham	**9**	9
Christopher Hill	**4**	4

BOARD ALLOCATION OF TIME



- **22%** Strategy & business initiatives
- **16%** Regulation
- **17%** Reports from the Committees
- **12%** Finance, including CASS and Treasury
- **11%** Competition and business outlook
- **10%** Board matters, including dividends and annual reporting
- **5%** People
- **4%** Investor relations
- **4%** Board effectiveness

HOW THE BOARD OPERATES

The Board meets at least four times each financial year and met nine times in the last financial year. The Board also meets with the Executive Directors at a regular off-site Strategy Day to review strategic options open to the Group in the context of the economic, regulatory and competitive environment and to set the strategic objectives. There were two such meetings in the year. Between Board meetings, Directors are also provided with monthly information packs which include detailed commentary and analysis. To ensure that Directors are as fully informed as possible, minutes are circulated from each Committee, including the Executive Committee, and each Board meeting includes a report from the Committee Chairmen as appropriate. The Chairman and Non-Executive Directors meet in the absence of the Executive Directors at least once a year. There were two such meetings in the year.

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

BOARD ACTIVITIES DURING THE YEAR

The Board meeting agendas during the year included business across the key areas of strategy, governance, risk and financial performance. In addition to regular reviews of performance, the Board discussed the strategic direction of the Company; a number of business indicatives; regulatory impact and changes affecting the business; competition and the business outlook.

BOARD COMMITTEES

The Board is authorised to manage the business of the Company in accordance with the Company's Articles of Association. The Articles of Association may be amended by special resolution of shareholders. Certain responsibilities of the Board are delegated to Committees to assist the Board in carrying out its functions and to ensure

BOARD COMMITTEES

AUDIT COMMITTEE

Responsible for: Overseeing the integrity of the Group's financial reporting.

Reviews and recommends to the Board: The effectiveness of the Group's internal controls and internal audit function. The performance and independence of the external auditors as well as being responsible for their appointment, re-appointment and removal.

BOARD RISK COMMITTEE

Responsible for: The Group's overall risk appetite, risk tolerance and risk strategy.

Reviews and recommends to the Board: On the current risk exposures of the company. Advises on the amount of surplus regulatory capital that should be held commensurate with the Group's risk profile and regulatory obligations and effectiveness of the risk management systems.

NOMINATION COMMITTEE

Responsible for: The structure, size and composition of the Board, including skills, knowledge, experience and diversity.

Reviews and recommends to the Board: Concerning the composition and skills of the Board including proposed appointees. Leads the process for Board appointments, re-election and succession of the directors and the Chairman. Reviews the leadership and development needs of the organisation.

REMUNERATION COMMITTEE

Responsible for: Setting the remuneration policy including pension rights and any compensation payments for all executive directors.

Reviews and recommends to the Board: The level and structure of remuneration for senior management of the Group, taking into account relevant legal and regulatory requirements, the provisions and recommendations of the Code, FCA Remuneration Codes, AIFMD, CRD IV and associated guidance.

independent oversight of internal control and risk management. The four principal Board Committees (Audit, Remuneration, Risk and Nomination) play an essential role in supporting the Board in fulfilling its responsibilities. The Chairman of each Committee reports to the Board after each meeting. The minutes of each Board Committee meeting are circulated to the attendees.

The Board Committees all have formal terms of reference that have been approved by the Board, and performance of the Committees is assessed annually by the Board. Each Committee's terms of reference sets out the specific matters for which delegated authority has been given by the Board. These terms of reference are reviewed annually and the terms of reference of the Audit, Remuneration, Nomination and Risk Committee are available on the Group's website (www.hl.co.uk/investor-relations). A summary of the terms of reference for each committee is included in the committee summaries below. A report from each committee on their activities for the year follows this section.

OTHER COMMITTEES

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

Executive Committee

The Board has delegated full authority to the Executive Committee subject to a list of matters which are reserved for decision by the full Board only. In particular, the Executive Committee is responsible to the Chief Executive for developing and monitoring every aspect of the Group's business on a continuing basis, for developing and implementing business strategy as agreed by the Board and ensuring that day-to-day operations are conducted in accordance with the relevant regulatory and statutory requirements. The Executive Committee meets at least quarterly but more frequently when required, and met five times during the current financial year. The attendance by each member is set out in the table on page 56.

The Executive Committee is chaired by the Chief Executive, Ian Gorham, and in his absence by Christopher Hill. During the year the committee comprised the following members:

The Executive Committee		Movements in the year	Meetings eligible to attend	Meetings attended
Ian Gorham	Chief Executive Officer		6	6
Christopher Hill	Chief Financial Officer	Appointed 4th February 2016	2	2
Ian Hunter	Commercial Director		6	6
Vikki Williams	Chief Operating Officer	Resigned 3rd February 2016	4	4
David Davies	Chief Information Officer		6	5
Mark Dampier	Research Director	Appointed to the Executive Committee 1st July 2015	6	3
Lee Gardhouse	Chief Investment Officer	Appointed to the Executive Committee 1st July 2015	6	5
Stuart Louden	Group Director of Savings	Appointed to the Executive Committee 1st July 2015	6	6
Rob Byett	Group Director of Risk and Compliance	Appointed to the Executive Committee 1st July 2015	6	5
Chris Worle	Digital Strategy Director	Appointed to the Executive Committee 1st July 2015	6	6
Nick Marson	Operations Director	Resigned 31st October 2015	1	1

Mike Evans, Heather Cooper (Chief People Officer) and Judy Matthews (General Counsel and Company Secretary) are invited to attend the Executive Committee. Biographies of the above are available on our website: www.hl.co.uk/investor-relations.

Investment Committee
The Investment Committee is responsible for monitoring the investments held within the HL Multi-Manager funds. It is also responsible for ensuring that there are no conflicts of interest between the HL Multi-Manager funds and clients investing with the Group on an execution only basis. The Investment Committee meets at least four times a year and met five times during this year. From 1 July 2015, the activities of the Investment Committee have been formally reported to the PLC Board by the committee Chairman, and the committee has been chaired by an independent Non-Executive Director (Jayne Styles) since 23rd October 2015. ***Since the end of the financial year the Board has decided that the Investment Committee will become a full committee of the Board alongside the Audit, Remuneration, Risk and Nomination Committees and its terms of reference have been updated to reflect this.***

Executive Risk Committee
The Executive Risk Committee is an executive committee seeking to ensure risks are identified, assessed, managed and reported on, it is also responsible for overseeing compliance with the capital requirements under the ICAAP regime. The Committee meets monthly and is chaired by the Group Director of Risk and Compliance. The Committee covers all areas of risk management and agrees the position against the Risk Appetite based on the information provided in the risk dashboard. Throughout the year papers are requested on specific risks and topics.

CASS Oversight Committee
The CASS Oversight Committee is chaired by the Chief Financial Officer, who is responsible for overseeing our processes and controls over segregating client monies and safeguarding custody assets. The committee's role is to support him as the Financial Conduct Authority (FCA's) client assets operational oversight function. The committee meets monthly and receives reports from a number of operational and control functions, enabling it to monitor the effectiveness of our processes and controls.

Treasury Committee
The Treasury Committee is chaired by the Chief Financial Officer. Its role is to define and oversee the management of client and Hargreaves Lansdown's own cash balances within the regulatory framework and company's risk appetite. The Committee meets at least quarterly, with detailed monthly reporting enabling clear and effective oversight of all facets of cash activities, including liquidity, counterparty exposure and performance.

EFFECTIVENESS

BOARD COMPOSITION

As at 30 June 2016 there were seven Directors on the Board: the Chairman, four independent Non-Executive Directors, and two Executive Directors. The size and composition of the Board is regularly reviewed by the Board and the Nominations Committee to ensure that there is an appropriate and diverse mix of skills and experience.

INDUSTRY/BACKGROUND AND EXPERIENCE

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

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

- Dharmash Mistry resigned from the Board as Non-Executive Director on 31 August 2015,
- Jayne Styles joined the Board as Non-Executive Director on 23 October 2015
- Christopher Hill joined the Board as Chief Financial Officer on 4 February 2016
- Simon Cleveland, a partner in Deloitte LLP, was contracted as Interim CFO prior to the appointment of Christopher Hill. Simon Cleveland did not serve on the Board of Directors.

Details on our Board members, including other Directorships, are on page 50 to 51.

DIRECTOR INDEPENDENCE

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

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

CONFLICTS OF INTEREST

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

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

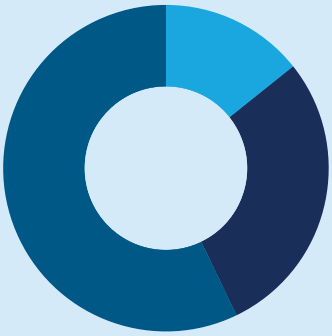
SUCCESSION PLANNING AND APPOINTMENTS TO THE BOARD

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

The Nomination Committee has specific responsibility for the appointment of Non-Executive and Executive Directors and it recommends new appointments to the

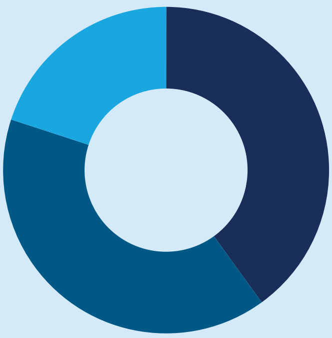
Experience	Number of Directors (Executive and Non-Executive) and Non-Executive Chairman
Company knowledge	7
Industry knowledge	7
Audit and Risk management	5
Investment management	4
Strategy and Business development	5
Operational management	5
Technology and Digital focus	4

COMPOSITION OF THE EXECUTIVE AND INDEPENDENT NON-EXECUTIVE DIRECTORS ON THE BOARD



- **1** Independent Non-Executive Chairman
- **2** Executive Directors
- **4** Independent Non-Executive Directors

LENGTH OF TENURE OF INDEPENDENT NON-EXECUTIVE DIRECTORS & CHAIRMAN



- **2** 0-3 years
- **2** 3-6 years
- **0** 6-9 years
- **1** 9-12 years

Board. It regularly reviews the structure, size and composition required of the Board and makes recommendations to the Board as appropriate. More information on the work of the Committee can be found in the Nomination Committee report on pages 84 to 85.

INDUCTION

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

ONGOING PROFESSIONAL DEVELOPMENT

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

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

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

INFORMATION PROVIDED TO THE BOARD

The Board has full and timely access to all relevant information to enable it to perform its duties effectively. As explained on page 53, the Company Secretary works closely with the Chairman, Chief Executive Officer and Board Committee Chairmen to ensure that appropriate and timely information flows within and to the Board and its committees, enabling the Board to exercise its judgement and make fully informed decisions when discharging its duties.

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

RE-ELECTION OF DIRECTORS

The Code requires that all Directors of FTSE 350 companies should be subject to annual election by shareholders. Under the existing Articles of Association all Directors have to submit themselves for re-election annually if they wish to continue serving and are considered by the Board to be eligible. All Directors wish to be re-elected and the Board confirms that all individual performance reviews demonstrated that the Directors continue to demonstrate effective performance and commitment to their roles.

BOARD EVALUATION

The Code and the Financial Reporting Council's guidance on Board effectiveness recommend that the annual performance review of the Board should be externally facilitated every three years. Independent Audit Limited were engaged by the Board to perform this external review in 2015 and, following this, the Board has made good progress against its agreed actions.

There has been an increase in the frequency of Board meetings and the time allotted for the formal Board cycle, the introduction of a rolling twelve month agenda, and an increase in the engagement of the Non-Executive Directors with management outside of Board meetings. A mid-year internal review carried out by Internal Audit supported this view that good progress is being made.

The Chairman carried out this year's review of the Board's effectiveness and presented his draft report to the Board in June 2016. After discussion, the finalised report was approved by the Board in August 2016. The review was performed by way of one-to-one discussions with each Director and the Company Secretary. The key theme emerging from the review was that whilst good progress had continued to be made against the agreed actions from the previous year, there remained work to be done to ensure that the time spent by the Board in session was of the highest quality. The strategic plan approved by the Board in August 2016 is the backbone around which performance can be measured and agendas framed. It was also agreed that after each Board meeting, the Non-Executive Directors would hold a short review session to introduce a culture of continuous improvement. Finally, it was noted that the induction process for new Directors required refreshing.

Individual appraisal of each Executive Director's performance is undertaken by the Chief Executive. The Non-Executive Directors, led by the Senior Independent Director, carry out an appraisal of the performance of the Chairman. The Chief Executive's performance was evaluated by the Chairman with input from the rest of the Board. The performance of the Non-Executive Directors was appraised by the Chairman on a one-to-one basis. The appraisals concluded that the Chairman and all Directors continue to perform effectively and demonstrate commitment to the role.

ENGAGEMENT WITH SHAREHOLDERS

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

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

Following dialogue with individual institutional shareholders, the Chairman, Chief Executive and the Chief Financial Officer all ensure that the Board is fully briefed on shareholders' views such that any issues or concerns are fully understood and considered. Analyst and broker briefings are regularly provided to the Board. In addition, the Group's brokers sought feedback from investors following the 2015 final and 2016 interim results, and this feedback was reported to the Board.

AGM

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

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

OTHER INFORMATION

Certain additional information in relation to the Company's share capital, the powers of Directors and amendments to the Articles of Association that is required to be disclosed pursuant to DTR 7.2.6 may be found in the Directors Report on pages 88 to 91.

AUDIT COMMITTEE REPORT

Shirley Garrood, Chairman of the Audit Committee (or the Committee), gives her review of the Committee's activities during the financial year.

CHAIRMAN'S OVERVIEW

During the year, the Committee has maintained its focus on monitoring the integrity of the financial reporting process and provided support to the Board in discharging its duties regarding the Group's financial reporting requirements. Whilst ultimate responsibility for the oversight of the Group's financial reporting rests with the Board, the Committee has reviewed the results and financial announcements and passed its comments and recommendations to the Board.

The Committee has examined the interim review and the Annual Report and Financial Statements and is satisfied that the latter are fair, balanced and understandable. The year ended 30 June 2016 is the first year for which the Group must comply with the Financial Reporting Council's (FRC) requirements on the viability statement. This year also sees the Group adopt FRS101 for the financial statements of its subsidiary companies. The Committee has discussed the impact of these changes and approved the way in which they have been dealt with.

The quality of the external auditor's work, their effectiveness and their independence have been reviewed by the Committee as part of its responsibility for oversight of the audit process. During the year the Audit Committee selected a new Senior Engagement Partner, as the previous partner was leaving PwC. As part of this process the Committee, Chief Financial Officer (CFO) and PwC worked together to ensure a smooth transition.

The Committee has continued to receive and review reports from the Internal Audit function, with time being devoted to discussion of findings, recommended actions and progress in completing those actions. The Internal Audit function will be subject to an External Quality Assessment (EQA) in August and September 2016 to provide the Committee with an independent assessment of their effectiveness.

The Committee considered the design and effectiveness of a number of key IT, organisational and Client Assets Sourcebook (CASS) controls as part of fulfilling its responsibility to oversee the Group's system of internal controls.

The Terms of Reference for the Audit Committee have been reviewed and updated to clarify its responsibilities following the introduction of the Board Risk Committee in the previous financial year. The responsibilities of the Audit Committee have been summarised below and the complete Terms of Reference may be found at www.hl.co.uk/investor-relations.

AUDIT COMMITTEE – MEMBERSHIP AND ATTENDANCE

All members of the Committee are independent. The biographies of Committee members can be found on page 50. The members of the Audit Committee as at 30 June 2016 were as follows:

Shirley Garrood – Chairman (Chartered Accountant): Appointed 25 October 2013

Christopher Barling:	Appointed 26 August 2010
Stephen Robertson:	Appointed 3 October 2011
Jayne Styles:	Appointed 23 October 2015

The Chairman, Head of Internal Audit, Chief Operating Officer (COO) (part year only), CFO, Chief Executive Officer (CEO) and Group Director of Risk and Compliance are routinely invited to, and attend, the majority of meetings, although the Committee reserves the right to request any of these individuals to withdraw. The external auditor also attended all meetings.

The Audit Committee meets at least four times each year but more frequently when required, and met five times during this financial year.

ROLE OF THE AUDIT COMMITTEE

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

- monitoring the financial reporting process including the integrity of our annual and interim reports, preliminary results and any other formal announcements relating to financial performance;
- reviewing the continuing appropriateness of the Group's accounting policies;
- reviewing the clarity of disclosures, ensuring the Group has made appropriate estimates and judgements in preparing all material information presented in the Annual Report;
- ensuring that the integrity of our Annual Report and Financial Statements, taken as a whole, is fair, balanced, understandable and provides shareholders with the information necessary to assess the Group's position and performance, business model and strategy;
- reviewing the Group's viability statement and making recommendations to the Board;
- reviewing the Group's internal financial controls and the Group's internal control systems;
- reviewing the statements to be included in the Annual Report and Financial Statements concerning internal controls;
- reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;
- making recommendations to the Board, for a resolution to be put to the shareholders for their approval in general meetings in relation to the appointment or removal of the external auditor and the approval of the remuneration and terms of engagement of the external auditor;
- monitoring and reviewing the effectiveness of the Group's Internal Audit function; and
- overseeing the Group's procedures for public interest disclosure (whistleblowing).

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

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

On an on-going basis, membership of the Committee is reviewed by the Chairman of the Committee and any recommendations for new appointments are made to the Nomination Committee for onward recommendation to the Board. Appointments are for a period of three years and are extendable by no more than two additional three-year periods. The UK Corporate Governance Code requires the inclusion of at least one member with recent and relevant financial experience and our Committee Chairman currently fulfils this requirement. During the year Jayne Styles was appointed to the Committee, replacing Dharmash Mistry, who resigned on 31 August 2015.

The Group provides an induction programme for new Audit Committee members and on-going training to enable all of the Committee members to carry out their duties. New Committee members also meet some of the Group's staff, as part of their induction and all Committee members are encouraged to engage with staff throughout the year. On-going training includes individual attendance at formal conferences, internal briefings and briefings by external accountancy firms.

MAIN ACTIVITIES DURING THE FINANCIAL YEAR

In discharging its responsibilities the Audit Committee concentrated on five key areas:

- Financial Reporting
- External Audit
- Internal Audit
- IT and Other Internal Controls
- Audit Committee effectiveness

The Audit Committee has passed responsibility for the review of risk management systems to the Risk Committee following a review of the Terms of Reference of both committees. The Committee continues to review key controls where their failure could have an impact on the integrity of financial record-keeping, reporting and disclosure.

	Meetings eligible to attend	Meetings attended
Chairman		
Shirley Garrood	**5**	**5**
Members		
Chris Barling	**5**	**5**
Stephen Robertson	**5**	**5**
Jayne Styles (joined Committee as a member Oct 15)	**3 (plus one as an observer)**	**3**
Dharmash Mistry (resigned, last meeting Aug 15)	**1**	**1**

FINANCIAL REPORTING

With support and input from the external auditor, the Committee, on behalf of the Board, has examined the Annual Report and Financial Statements, Interim Report and Financial Statements, and the trading updates together with the related disclosures, application and consistency of accounting policies and the financial reporting process. This examination has included the review and approval of the Annual Report, and consideration of the Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Going Concern statement, Viability Statement and the Statement of Cash Flows, with an emphasis on ensuring that these are fair, balanced and understandable.

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

Key controls over the preparation of the consolidated financial statements include:

- The risk function and management conduct periodic checks on internal financial controls;
- Management regularly monitors and considers developments in accounting regulations and best practice in financial reporting, and where appropriate, reflects developments in the consolidated financial statements. Appropriate briefings and/or training are provided to key finance personnel on relevant developments in accounting and financial reporting. The Audit Committee is also kept appraised of such developments;
- Regular reviews of financial performance by senior management;
- The Group's consolidation, which consolidates the results of each business unit and makes appropriate adjustments, is subject to multiple levels of review by the Group Finance function;
- The draft consolidated financial statements are reviewed by an individual independent from those individuals who were responsible for preparing the financial statements. The review includes checking internal consistency, consistency with other statements, consistency with internal accounting records and arithmetical accuracy;
- The Audit Committee and the Board review the draft consolidated financial statements. The Audit Committee receives reports from management and the external auditors on significant judgements, changes in accounting policies, changes in accounting estimates and other pertinent matters relating to the consolidated financial statements. This enables appropriate challenge to take place; and
- The financial statements of all material business units are subject to external audit.

The Group uses the same firm of auditors to audit all Group companies.

SIGNIFICANT FINANCIAL JUDGEMENTS AND FINANCIAL REPORTING FOR 2016

As part of the review of the Annual Report, the Audit Committee concluded that there are no significant financial judgements and that the key area of discussion for the Committee in the financial statements is revenue as it is a significant focus for stakeholders.

For the year ended 30 June 2016 the Committee has given particular consideration to the disclosure and accounting policy for the following areas:

Revenue: Given the nature of HL's business, the revenue stream is non-complex, being mainly high volume, low value transactions which turn into cash quickly, therefore the degree of judgement required over this significant area is limited. Whilst considering revenue, the Committee received information from the CFO, the finance team and the external auditor. The Committee reviewed and discussed management information during the year including absolute levels of revenue and variances in revenue between 2015 and 2016. Particular emphasis has been placed on understanding the continued effect of low interest rates and the impact of the Retail Distribution Review (RDR's) sunset clause on commission receipts.
Information is also provided to the Committee on the performance of cash reconciliations, stock reconciliations and client money reconciliations, which all underpin the revenue calculation. Increased confidence has been derived from the external audit approach such that revenue streams were recalculated on 100% of our most significant revenue streams, with sample based testing on the remainder. Internal Audit have also conducted a review of fee charging during the year.

Capitalisation of intangible assets: The Group is making a significant investment in the development of the HL Savings proposition. Given the expected long-term benefit to the Group, the Committee has discussed the appropriate accounting treatment for capitalising the development costs incurred. The Committee has reviewed and approved the policy for capitalising intangible assets. £1.1 million of development costs incurred for HL Savings since 1 July 2015 and £0.4 million of costs relating to the on-boarding of a book of client assets have been capitalised this year.

Viability statement: The update to the FRC's Corporate Governance Code regarding viability statements applies to accounting periods beginning on or after 1 October 2014. The year ended 30 June 2016 is the first year in which these revisions apply to HL.

The Committee has reviewed and discussed the content of the Viability Statement (as shown in the Directors' report) and made recommendations to the Board. In making these recommendations the Committee considered the timeframe for the viability assessment, the principal risks to be addressed in the analysis, the nature and extent of supporting information and the key assumptions underpinning the forecasts. Reference was also made to work already performed for the ICAAP as reviewed by the Risk Committee.

Adoption of FRS101 Reduced Disclosure Framework: In 2012 and 2013, the FRC fundamentally revised UK financial reporting standards by replacing almost all existing standards with three new Financial Reporting Standards (FRS) - FRS100, FRS101 and FRS102. As a result companies will move away from UK GAAP towards implementation, in part or in full, of IFRS. Companies are required to select the most suitable standard and implement the relevant changes; HL has selected FRS101. FRS101 came into effect for reporting periods beginning on or after 1 January 2015. It introduced a reduced disclosure framework that enables subsidiaries and their parents to use the recognition and measurement bases of IFRS without making the level of disclosure required by full IFRS.

The financial year ended 30 June 2016 is the first period for which the subsidiary companies will report under the new standard. The opening balances and prior year comparatives of the subsidiary companies have been restated along with provision of a note to the accounts explaining the effect of the transition. The Committee discussed and approved the implementation of FRS 101 for the Group subsidiaries. During the Committee's discussion, it was recognised that a restatement was required to correct an error in the accounting at parent company level and its subsidiaries relating to employee share based remuneration schemes. The accounting at Group level was and is correct.

FAIR, BALANCED AND UNDERSTANDABLE

The Company has put in place arrangements to ensure that the Annual Report, taken as a whole, is fair, balanced and understandable and provides shareholders with the information necessary to assess the Company's position and performance, business model and strategy. The Committee examined the 2016 Annual Report and Financial Statements and was specifically tasked by the Board to advise it on whether the report is fair, balanced and understandable.

The Committee did this by satisfying itself that there is a robust process of challenge, including challenge by the Committee itself. The Committee's own challenge process included questioning the Chief Executive on the overall messages and tone of his review statement, examining and challenging reports from both management and the external auditor relating to the Annual Report, and reviewing consistency with internal reports presented to the Board by management, the CFO, Head of Internal Audit, Group Director of Risk and Compliance and Chief Risk Officer during the year. After challenge, debate and consideration of all relevant information, the Committee concluded that it could recommend to the Board that the 2016 Annual Report and Financial Statements is fair, balanced and understandable.

EXTERNAL AUDIT

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

The Group's policy on external audit is regularly reviewed to ensure that the independence and objectivity of our external auditors is maintained. It sets out the categories of non-audit services which the external auditor will and will not be allowed to provide to the Group, subject to de minimis levels and Audit Committee Chairman approval. The policy establishes guidelines for the recruitment of employees or former employees of the external auditors and for the recruitment of our employees by them. The policy further states that our external auditor may only be used for non-audit work where there are specific circumstances which mean they are the only firm able to provide a good service at an acceptable price. The policy may be found at www.hl.co.uk/investor-relations/board-of-directors/corporate-governance.

During the year, the Committee reviewed and approved a recommendation from management on the Company's audit and non-audit fees. There were £153,000 of non-audit fees during 2016 (2015: £110,000). £100,000 of this amount related to the FCA-mandated audit of subsidiaries regulated under the CASS rules. £39,000 related to the profit-verification work to enable payment of dividends in line with the established timetable and £14,000 related to the interim review. Fees for the audit for 2016 were £131,000 (2015: £110,000).

Following discussions between the Committee, the CFO and the external auditor, on ways of improving the efficiency of the audit after the second year of PWC's tenure, a number of changes were agreed. In particular, the external auditor will focus on completing the audit of the Group and significant balances in subsidiaries before beginning on the audit of the subsidiaries.

There are no contractual or similar obligations restricting the Group's choice of external auditor and the external auditor has confirmed to the Committee that they remain independent.

There has been a change of Senior Engagement Partner during the year. The Committee discussed the required competencies, agreed an interview process and then selected the new Partner. The new Senior Engagement Partner was in place for the 2016 interim review.

The Committee met with the external auditor privately this year in order to discuss any matters directly with the Senior Engagement Partner in the absence of management.

PwC have acted as auditors to the Group since 2013. In line with the EU audit regulation requirements, Hargreaves Lansdown will be required to review PwC as statutory auditor by 2023. This regulation requires the Company to undertake a formal tender process at least every ten years. In addition, the Senior Engagement Partner is required to be replaced every five years in accordance with the regulation and was replaced this year as described above.

The Company has complied with the provisions of the Competition Markets Authority Order 2014 throughout the year under review and as at the date of this report.

The Committee remains satisfied with the performance and effectiveness of PwC and that they continue to remain independent and objective, as demonstrated by consideration of the quality, experience, continuity and training of the audit team. The Committee has therefore recommended to the Board that a resolution is put to shareholders recommending their reappointment together with their terms of engagement and remuneration at the Annual General Meeting of the Company. This will continue to be assessed on an annual basis.

The external auditor will be asked to attend the AGM and will be available to answer shareholders' questions about the audit and their report found on page 93.

INTERNAL AUDIT

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

Having conducted a review of the Internal Audit department the Committee is happy with both its resources and plans. The Institute of Internal Auditors recommends that an external review of the Internal Audit function is carried out no less than every five years. Our Internal Audit function had a satisfactory external review carried out in May 2012. An external review of Internal Audit took place in August and September 2016, Protiviti were appointed to conduct the work.

The Chairman of the Committee was in regular contact with the Head of Internal Audit throughout the year.

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

IT & OTHER INTERNAL CONTROLS

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

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

Topics addressed this year included:

- CASS governance, enhancements to CASS management information and embedding CASS development in the project management process;
- Review and discussion of the CASS audit for the year ended 31 May 2016;
- Capacity and scalability of IT systems;
- Continuing enhancements to the core IT operating platform;
- IT security testing, including social engineering, phishing and Denial of Service attacks (both DOS & DDOS);
- Transfers of books of client assets from collective investment providers to HL;
- Introduction of a high level controls dashboard, providing an at-a-glance view of management's assessment of the status of key controls overlaid with Internal Audit's assessment;
- Progress towards aligning individual performance objectives with those of the organisation;
- A review of the organisation's culture; and
- Arrangements to support whistle-blowing.

AUDIT COMMITTEE EFFECTIVENESS

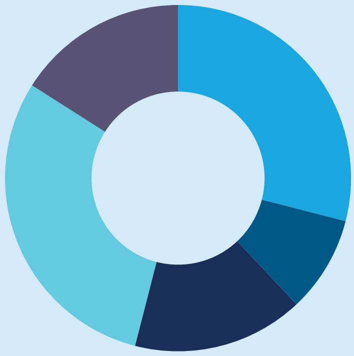
Following last year's independent review of the effectiveness of the Committee, the following action was taken:

- An additional meeting was added to the Committee's programme.
- Drafts of the Annual Financial Statements and the Annual Report were provided to the Committee at an earlier stage to ensure there is sufficient time for members of the Committee to review, challenge and provide input.
- At the Committee's request, Internal Audit conducted a review of the culture of the organisation to ensure compliance with the FRC's requirement that it be considered by the Board. The results of this work have been reviewed, discussed by the Committee and referred to the Board
- The Committee has continued to oversee and provide challenge to the evolution of the organisation's control framework.

Following an independent review last year, the Committee chose to review its effectiveness this year by means of a self-assessment questionnaire. The results showed that the Committee believes it is operating effectively and working as should be expected.

AUDIT COMMITTEE ALLOCATION OF TIME

The chart below provides an illustration of the approximate percentage of time spent by the Committee on various matters during 2015/16.



29%	Financial Reporting
9%	External Audit
16%	Internal Audit
30%	IT & Other Internal Controls
16%	Other

ALLOCATION OF TIME

The chart above shows how the Committee spent its time in the year to 30 June 2016.

Signed on behalf of the Audit Committee.

Shirley Garrood
Chairman of the Audit Committee
6 September 2016

DIRECTORS' REMUNERATION REPORT

ANNUAL STATEMENT BY THE CHAIRMAN OF THE REMUNERATION COMMITTEE

CHAIRMAN'S OVERVIEW

I am pleased to present the Committee's report for 2016 on behalf of the Remuneration Committee.

Hargreaves Lansdown's remuneration practices are designed to promote the long-term success of the Company by supporting the business strategy and we believe that this is best done by motivating and retaining our talented employees. Our overall remuneration package aligns the long-term interests of Executive Directors with those of our shareholders and other stakeholders by incentivising the growth in the value of the business over the long-term.

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

During the year we have spent considerable time discussing the application and results of our remuneration policy and endeavouring to ensure that we achieve the best results for all of our stakeholders. The results of that review are detailed below.

BUSINESS CONTEXT IN 2016

The Committee's considered view of how the Group had performed in 2016 was positive. The return to profit growth was important from a number of perspectives and this has been achieved despite the headwinds of the weak stock markets through the year and poor investor sentiment. The Committee was pleased to note the growth in client numbers was very strong at 100,000 and that the Group remains the largest business of its type in the UK according to Platforum (March 2016, UK D2C Guide: Market Size and Structure, page 4). We gained share in major markets and strategic initiatives such as the launch of new HLFM funds were successful in helping to drive Assets Under Administration in excess of £60bn. Our service levels remained high and our client retention numbers improved over last year. Over the course of the year we have invested in broadening our client offerings in the longer term. The Committee therefore considered that 2016 had been a year of strong results delivered by sound executive decisions in poor market conditions. Management share in both the upside and downside of these factors and therefore the Executive Director and wider senior management bonus pool for 2016 was increased compared to 2015.

Outline of remuneration for Executive Directors
Hargreaves Lansdown provides a simple remuneration package consisting of base salary, annual bonus, and equity ownership in addition to the same benefits package, pension and salary sacrifice arrangements that are available to all employees of the Group.

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

The annual bonus is partly paid immediately in cash with 30% deferred into shares and/or cash for three years with mandatory deferral into shares until the Executive Director achieves the minimum shareholding requirement. The deferred element is subject to a malus provision and bonus earned for 2016 onwards is also subject to a clawback provision.

The long-term incentive plan provides share options that vest after three years, subject to formal performance conditions and also subject to malus, and, for awards made from 2015 onwards, vested awards will be subject to a clawback provision. However, as discussed in more detail below, the Committee has decided not to make an LTIP award in 2017.

There is also a minimum shareholding requirement.

REMUNERATION OUTCOMES FOR 2016

In the light of the Committee's assessment of improved business and personal performance, the Chief Executive's annual bonus earned for the year was 32% higher than last year following two years in which the total of base salary plus bonus declined year on year.

The 2013 LTIP will vest following the Committee's formal review of the performance criteria based upon the outcome of the three year performance period ending 30 June 2016. An indication of the value at vesting is:

- The EPS performance target has not been achieved.
- The Net New Business target was very nearly fully achieved.
- The Net New Clients target was achieved in full.
- A resulting 33,036 options of the 50,000 granted will vest.
- At the end of the performance period, vested options have a zero value due to the exercise price being below the market price. These may be retained by Directors until expiration as an increase in the share price may create value at a future date.

ACTIONS TAKEN DURING 2016

During the period the business of the Remuneration Committee included the following:

- The Directors' Remuneration Report in the 2015 Annual Report was reviewed, with consideration given to all of the feedback received from institutional shareholders.
- The performance conditions for the Executive Directors Share Option Plan (LTIP) were set, including the new customer service level condition, and the level of awards to be made to each Executive Director in respect of performance for the year ended 30 June 2015 under the LTIP were determined and an LTIP grant made.
- The remuneration for Christopher Hill, as the new CFO, was agreed, including the provision of share awards to replicate those given up from his previous employment, and the LTIP award was made proportionate to the duration of his employment during this financial year. Further details are provided in the Implementation Report.
- A formal assessment of risk performance was received and considered in relation to remuneration.
- The base salary levels and performance bonuses for the Executive Directors were reviewed and agreed, and salary levels for other senior management and 'Material Risk Takers' under the FCA Remuneration Code and "Identified Staff" under the AIFMD Remuneration Code were reviewed. The required Remuneration Code disclosure was reviewed and agreed.
- The Committee received and considered proposals for a change in remuneration structure across the Group.
- The effectiveness of the Remuneration Committee was reviewed and it was concluded that the Committee remained effective throughout the year.

The Non-Executive Directors remuneration levels were reviewed by the Chairman and Executive Directors in the light of the increased time commitment required for them to appropriately fulfil their duties as Non-Executive Directors.

Taking account of shareholder views

We were delighted that last year's remuneration report received a favourable vote of 97.69% from shareholders. The Remuneration Policy was not put to the vote in 2015.

We have also consulted with our very largest shareholders this year on executive remuneration matters. The majority by share ownership indicated their support for the changes that we have made.

CHANGES IN REMUNERATION APPROACH FOR 2017

Changes to reward structure

The direction of travel in financial services pay continues to be rebalancing remuneration towards base pay from variable, with a commensurate reduction in total remuneration opportunity. In addition to this, more broadly, there continues to be a debate on the complexity of executive pay.

After reviewing the application of our policy, and also the report from the Investment Association Executive Remuneration Working Group on remuneration, we believe that shareholder interests will be better served by applying the policy in a simpler way going forward. As a result, we do not intend to grant an allocation under the LTIP this coming year.

We believe that the structure of the current LTIP with up to three performance criteria each measured over a three year period using market based options with each award having its own strike price has resulted in an excessive number of variables in play. This level of complexity reduces the LTIP's effectiveness, and there is an argument that executives may not be positively influenced as a result. At the same time, due to share based payment accounting, it represents a cost to shareholders.

The large majority of Hargreaves Lansdown profit turns into cash in the year that it is generated. The largest impacts on performance over three years are the value of the FTSE and investor sentiment, interest rates and, in recent history, regulation. None of these are directly under the control of the Executive Directors and these factors make it hard to forecast three year performance and reward our Executive Directors fairly.

This has led us to conclude that it would be better to simplify the operation of our remuneration structure for the future by ceasing to make further LTIP awards. We are not alone in this – discussion with other Remuneration Committee chairs has revealed similar views and we note the conclusions of the Investment Association Executive Remuneration Working Group Report that alternatives to LTIP's may be used where more appropriate.

We intend to increase the bonus that would be payable for performance in line with the annual business plan by the expected value of the LTIP (c.10% of average bonus). The maximum opportunity under the bonus plan will not be increased and will remain at 400%

of salary each year. Additionally, Executives will be required to defer 40% of their bonus into Hargreaves Lansdown plc shares for three years, increased from 30% in previous years, with no phased vesting.

In making this combination of changes, we do not expect that any variable benefits will be delivered to our Executives earlier than they would have otherwise received it under the LTIP. In adopting these proposals the ultimate value received by our executives will continue to reflect the annual performance of the business and the value delivered to shareholders over a three year period, as reflected in the Hargreaves Lansdown share price.

Shareholders should also note that the maximum total incentive compensation opportunity for the Executive Directors at Hargreaves Lansdown will decrease.

Separately, we also commit to increasing the level of disclosure with regards to the bonus performance conditions going forward.

We plan to review the change of approach to LTIPs and deferral before our AGM in 2017, when our remuneration policy is due to be renewed. If we judge that the changes have been effective, we will incorporate them into a revised Remuneration Policy that will then be submitted to a vote in accordance with the three year cycle.

CHIEF EXECUTIVE SALARY LEVEL

We have decided to increase Ian Gorham's base salary for the second time since he assumed the role in 2010, as part of the rebalancing between fixed and variable pay highlighted in the last two year's reports. As a reminder, last year we reduced the maximum annual bonus from five to four times base salary and increased the Chief Executive's salary by £50,000. This reduced the theoretical maximum by much more than the increase in salary.

The Chief Executive's base salary increased from £500,000 to £550,000 per annum from 1st July 2016, an increase of 10%. With the removal of the LTIP, the total compensation opportunity for the Chief Executive will decrease significantly in the forthcoming financial year.

We can confirm that we will not increase the Chief Executive's base salary further before 30th June 2018.

Direction of travel

After much uncertainty over the CRD IV guidelines from the EBA, these were published in early 2016 and the FCA responded in February 2016. The FCA response was that they would comply with all aspects other than allowing, where appropriate, proportionality to be applied to two areas. These were the limit on awarding variable remuneration of one times fixed remuneration (or two times with shareholder approval) and the application of the "pay-out process rules". Hargreaves Lansdown is continuing to dis-apply both of these on the basis of proportionality.

The one change resulting from this guidance which does impact Hargreaves Lansdown is that dividends on deferred shares granted to Material Risk Takers and Identified Staff cannot be paid during the period of deferral. The implementation date for the guidelines is 1 January 2017, and the changes will apply to the 2017 performance period. We fundamentally disagree with the logic of this restriction and will lobby hard for it to be lifted as it betrays the concept of alignment of interest with shareholders.

The Remuneration Committee will continue to keep the balance of the remuneration package under review in the light of ongoing market and regulatory change.

COMPLIANCE WITH LEGISLATION AND BEST PRACTICE

This report has been prepared in accordance with the provisions of the Companies Act 2006 and the Large and Medium-Sized Companies and Groups Regulations 2013. It also meets the requirements of the UK Listing Authority's Listing Rules and the Disclosure and Transparency Rules.

The Remuneration Committee confirms throughout the financial year that the Company has complied with these governance rules and best practice provision.

The report is split into two sections:

- The Annual Report on Remuneration, which includes the Remuneration Committee Chairman's Statement, details the payments made to Directors and explains the link between Group performance and remuneration for the 2015/16 financial year (the 'Annual Report on Remuneration'). This will be subject to an advisory shareholder vote at this year's AGM.
- The Directors' Remuneration Policy (the 'Remuneration Policy' or 'Policy'), which sets out Hargreaves Lansdown's policy for Directors of Hargreaves Lansdown plc (Executive Directors and Non-Executive Directors collectively known as 'Directors'). This was approved by shareholders at our Annual General Meeting (AGM) on 24 October 2014, and is included here to provide shareholders with a complete picture of remuneration. It is the intention of the Committee that this Policy will be in effect for three years from the date of approval in October 2014.

I would like to commend the Annual Report on Remuneration to our shareholders.

Christopher D. Barling
Chairman of the Remuneration Committee
6 September 2016

ANNUAL REPORT ON REMUNERATION

THE DIRECTORS REMUNERATION REPORT ALSO ENCOMPASSES THE CHAIRMAN OF THE REMUNERATION COMMITTEE'S STATEMENT

IMPLEMENTATION OF THE DIRECTORS' REMUNERATION POLICY

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

HOW THE REMUNERATION POLICY WILL BE APPLIED FOR 2017

A summary of how the Policy will be applied during the forthcoming year is set out below.

Executive Directors' salaries
The Executive Directors' base salaries were reviewed in June 2016. In reviewing base salaries the Committee takes into account salaries elsewhere across the Group, relevant market data and information on remuneration practice in a comparator group of companies in the financial sector.

The Chief Executive's base salary has been increased as part of the rebalancing between fixed and variable pay highlighted in the last two year's reports. This increase is the second since his appointment. The increase was 10% and should be considered in the light of last year's reduction in the maximum annual bonus opportunity from five times base salary to four times. Since the Chief Executive took office on 2nd September 2010, the Company's sales have grown by 122%, the Company's profit by 154% and the share price by 219%, during which time we have become an established member of the FTSE 100.

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

Name of Director	Salary as at 1st July 2016 (£)	Salary as at 1st July 2015 (£)	% increase
Ian Gorham	550,000	500,000	10
Christopher Hill[1]	425,000	-	0

[1]Christopher Hill joined the PLC Board on 4th February 2016 on a base salary of £425,000 per annum.

The Remuneration Committee does not intend to award a further salary increase to the Chief Executive before 30th June 2018.

Chairman and Non-Executive Director fees
The Non-Executive Director fees were reviewed in June 2016. In the last two years, the number of Board meetings has increased and now stands at six per annum, five of which are now scheduled over a two day cycle. In addition, following last year's Board review, it was agreed that all the Non-Executive Directors would spend more time in the business outside of formal Board meetings. Accordingly, the number of days expected of Non-Executive Directors has increased from 15 to 25 days, and all Non-Executive Directors now all commit more time than this to their roles.

As a result, we have increased the base fee of £50,000 to £52,500 per annum and added a fee for membership of each committee of £2,500 (which is not payable to Committee Chairs). There are additional unchanged fees for the Senior Independent Director role (£12,500 per annum) and for chairing committees (Remuneration £12,500 per annum, Audit £25,000 per annum, Investment £10,000 per annum). Details of the membership of the committees are given in their respective reports and within the Corporate Governance Report on pages 52 to 59. The Chairman's fee is unchanged at £250,000.

Annual Bonus
The total bonus pool for Executive Directors and senior management will remain capped at 5% of profit before tax and payments to Executive Directors will remain capped at 400% of salary. As noted we intend to increase the bonus that will be payable for performance in line with the annual business plan by the expected value of the LTIP (c 10%). Executive Directors will be required to defer 40% of their bonus into Hargreaves Lansdown plc shares for three years, increased from 30% in previous years, with no phased vesting. As a result of the EBA guidelines, for awards made for the 2017 performance period onwards, no dividends (or dividend equivalents) will be paid out on deferred awards held in shares from that year.

The size of the pool will be determined by the Committee's assessment of how the Group has performed against its business plan taking into account growth in profit before tax, net new assets, net new clients, client service measure including net promoter score and client retention. In making this assessment, the Committee will give due consideration to market movements, investor sentiment, interest rates and the impact of regulation, all of which are beyond the control of the Executive Directors. Details of the Committee's assessment will be given in the Remuneration Report next year. Executive Directors' individual performance will be assessed against personal objectives.

The objectives for Ian Gorham are: to deliver a new strategic plan; to deliver financial results to the satisfaction of shareholders in a risk controlled environment; to deliver the successful launch of HL Savings; to maintain client satisfaction; and to support and promote focus on people development. The Committee considers that the two further objectives are commercially sensitive and will be disclosed retrospectively as appropriate, in subsequent Remuneration Reports.

The objectives for Christopher Hill are: to deliver the results and the financial plan; to deliver operational efficiency whilst maintaining service levels; and to review and strengthen the finance team. The Committee considers that the three further objectives are commercially sensitive and will be disclosed retrospectively as appropriate, in subsequent Remuneration Reports.

REMUNERATION PAYABLE FOR THE 2016 FINANCIAL YEAR (1 JULY 2015 TO 30 JUNE 2016) (AUDITED)

The remuneration received by Executive Directors in relation to performance in 2016 is set out below.

Name of Director	Year	Gross basic salary[5]	Cash bonus[6]	Deferred element of bonus - shares	Deferred element of bonus - cash	Gain on historic options vesting	Pension[7]	Totals
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Ian Gorham[1]	2016	500	1,085	465	-	[4]	21	2,071
	2015	450[8]	805	345	-	416[3]	43[8]	2,059
Christopher Hill[2]	2016	179	263	112	-	-	4	558
	2015	-	-	-	-	-	-	-

[1] Ian Gorham waived £15,000 of his salary (2015: £17,000) in favour of making a higher pension contribution.
[2] Remuneration for Christopher Hill is shown for the period from 4th February 2016.
[3] The 2012 LTIP performance period ended on 30 June 2015 and the gain previously disclosed in the 2015 Annual Report of £281k had been calculated based on the average market value over the period from 1 April 2015 to 30 June 2015. The figure shown above reflects the actual gain on the 52,441 shares exercised. The market value on exercise was £14.80 and the exercise price was £6.87, giving a gain per share of £7.93.
[4] The 2013 LTIP performance period ended on 30 June 2016.Based on the average market value of £12.91 over the period from 1 April 2016 to 30 June 2016 there has been no gain given the exercise price of £13.29.
[5] The Directors have taken benefits as a sacrifice to their salary. Ian Gorham sacrificed £44,000 (2015: £32,000) in order to fund pension contributions and in regards of car parking and unpaid leave. Christopher Hill sacrificed £2,000 (2015: £nil) in order to fund pension contributions. The amounts shown as gross basic salary are prior to any sacrifice deductions.
[6] The gross cash bonus is shown after deducting amounts sacrificed into pension contributions. No amounts were sacrificed in 2016 and in 2015 Ian Gorham sacrificed £20,000.
[7] Pension contributions include those sacrificed from bonuses. No such sacrifices were made in 2016 and in 2015 Ian Gorham sacrificed £20,000.
[8] The figure shown as salary in the prior year's DRR was £418,000 which was the salary received net of waivers made in return for pension and other benefits. The figure shown above is salary prior to any waiver. The pension figure shown for the prior year's DRR was £60,000, which included £17,000 waived from salary.

LONG TERM INCENTIVE PLAN

We have decided not to make an award under the LTIP in 2017. Our rationale for this decision is as detailed in the Chairman of the Remuneration Committees Statement on pages 65 and 67.

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

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

Benefits in kind are available to all employees on the same basis. Currently benefits include: local car parking scheme; childcare vouchers; 4% of base salary employer pension contributions; reduced platform fees for holding assets in Vantage; reduced dealing charges for self and connected persons; ability to participate in the Save As You Earn (SAYE) scheme. The Group altered the SAYE scheme this year to shorten the eligibility period and the length of the scheme from five years to three years and this has resulted in a greater participation from employees into the scheme.

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

The remuneration received by Non-Executive Directors in 2016 is set out in the following table.

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

Non-Executive Directors and Chairman	2016 Fees (£)	2015 Fees (£)
Mike Evans, Chairman	250,000	152,500
Christopher Barling	75,000	75,000
Stephen Robertson	50,000	50,000
Shirley Garrood	75,000	75,000
Jayne Styles[1]	41,379	-
Dharmash Mistry[2]	8,333	50,000

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

ANNUAL BONUS FOR THE YEAR ENDING 30 JUNE 2016 (AUDITED)

The size of the bonus pool was determined by the Committee based on the performance of the Group against a number of financial measures, detailed below. The bonus pool covers both Executive Directors and the wider senior management team and is subject to a cap of 5% of profit before tax, in line with the Policy.

Each individual Executive Director's performance and that of the senior management team has been considered by the Committee against specific personal objectives to ensure that allocation of the pool is consistent with individual performance. The bonuses awarded to Executive Directors have been constrained to a maximum cap of four times base salary this year as per the tightened Policy, and details are reported below.

30% of the bonus awarded is deferred into shares and/or cash for three years with mandatory deferral into shares until the Executive Director achieves the minimum shareholding requirement, subject only to continuing employment and with no performance conditions as this is a reward for performance in the financial year. The non deferred bonus is subject to clawback and the deferred bonus is subject to malus.

The size of the bonus pool was determined taking account of the Group's key performance indicators for the relevant financial year; underlying profit before tax, operating margin, and underlying earnings per share. The Remuneration Committee also considered the quality of customer service provided and factors including compliance, regulatory and Internal and External Audit feedback, conduct risk, ESG factors, and received assurance from the Risk Committee that performance has not been achieved by taking risks and actions outside of the Group's stated risk appetite. There was also consideration of impacts on profit outside of management's control such as market and interest rate movements.

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

The relevant measures and the Committee's assessment of performance are as shown below:

The Committee's assessment of how the Group had performed in 2016 was positive.

The return to profit growth was important from a number of perspectives and this been achieved despite the headwinds of weak stock markets through the year and poor investor sentiment. It is true to say that the performance was below our business plan largely due to factors outside of our control. It is for this very reason that the Committee resists the use of fixed targets against

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

	Profit before tax	Net new business	Net new clients	Operating profit margin (on net revenue)
Results	£218.9m	£6.0bn	100,000	66.8%
Business plan	£229.3m	£7.2bn	93,000	68.3%
Committee's assessment	**	*	***	**

Ian Gorham	
Objective	**Committee's assessment**
Deliver relevant actions from Board Effectiveness Review	**
Deliver clear organisational model with reduced direct reports, enhanced focus on leadership & development and CFO recruitment	***
Delivery of results against key performance indicators	**
Maintain robustness and reputation of Group, with focus on scalability, capacity, cost control and risk management	**
Delivery of successful and clearly communicated strategy	**

Christopher Hill	
Objective	**Committee's assessment**
Deliver success in Group's financial metrics	**
Deliver efficient and effective Operations function	**
Effectively manage interested stakeholders in Group's financial position	**

The resulting bonuses for the year ending 30 June 2016 were:

	Cash £'000	Deferred £'000	Total £'000	% of cap
Ian Gorham[1]	£1,085	£465	£1,550	77.5%
Christopher Hill[2]	£263	£112	£375	54.5%

[1] Ian Gorham's bonus in the two preceding years had reduced year on year by -10% and -13%.
[2] Christopher Hill's bonus was based on his performance as CFO from 4th February 2016 and the cap is pro-rated for time served.

which performance is measured, given the high degree of external factors at play. The Committee was pleased to note the growth in client numbers was very strong at 100,000 and that the Group remains the largest business of its type in the UK according to Platforum. We gained share in major markets and strategic initiatives such as the launch of new HLFM funds were successful helping to drive Assets Under Administration in excess of £60bn. Our service levels remained high and our client retention numbers improved over last year. Over the course of the year we have invested in broadening our client offerings in the longer term. The Committee therefore considered that 2016 had been a year of strong results delivered by sound executive decisions in poor market conditions. The increased profit in particular warranted an enhanced bonus pool for Executive Directors and wider senior management team for 2016 which the Committee determined should be 1.83% of profit before tax as compared to 1.78% for the previous year.

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

Deferral of annual performance bonuses
In line with previously stated intentions, 30% of the annual performance bonuses are deferred for three years. Providing the Director satisfied the minimum shareholding target with reference to base salary, the option was given for deferred awards to be either in shares on which dividends (or dividend equivalents) are earned or in cash on which no interest will be earned, or a mixture of shares and cash. The right to exercise deferred awards will vest after three years provided the individual remains employed by the Hargreaves Lansdown Group.

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

Measure	2016	2015	2014	2013	2012
Profit before tax ("PBT")	£218.9m	£199.0m	£209.8m	£195.2m	£152.8m
Net new business	£6.0bn	£6.1bn	£6.4bn	£5.1bn	£3.2bn
Net new clients	100,000	84,000	144,000	76,000	45,000
Net operating margin (on net revenue)	66.8%	67.3%	71.3%	71.5%	67.8%
Client Service Measure	249	240	216	266	249
Bonus pool as % of PBT	1.83%	1.78%	2.42%	3.53%	3.75%

Vesting of long-term incentive awards for financial year ending 30 June 2016 (Audited)
The performance period for the LTIP awards made for the year ended 30th June 2013 will come to an end on the third anniversary of the award. The LTIP targets and the outcomes achieved are detailed below.

For each of the performance criteria achieved in full 16,666 options are exercisable. For the criteria achieved in part, a pro-rated number of options is exercisable.

For each participant 33,036 options of the 50,000 granted will vest. At the end of the performance period vested options have a zero value due to the exercise price being below the market value. These may be retained by Directors until expiration as an increase in the share price may create value at a future date.

The 2012 LTIP vested during the year and 52,441 options of the 60,000 granted vested for each participant. The share price on the date of vesting, 16th September 2015, was £12.34

SHARE AWARDS MADE DURING THE YEAR ENDING 30 JUNE 2016 (AUDITED)

In respect of performances of the Executive Directors during the year ended 30 June 2015, the Remuneration Committee made awards under the LTIP on 7th October 2015 to Ian Gorham, and on 3rd March 2016 to Christopher Hill. Ian Gorham received an award of options of 60,000 shares (the face value of these awards being 154% of base salary for Ian Gorham). Christopher Hill received an award of 50,000 shares (the face value of these awards being 148% of base salary for Christopher Hill). These awards are well within the maximum levels permitted by the rules of the plan.

Existing share awards forfeited by Christopher Hill at his previous employer as a result of his appointment at Hargreaves Lansdown were bought out by an award of Hargreaves

Target	Weighting of each condition	Minimum	Maximum	Performance	Achievement
EPS	**33.3%**	36.6p	43.4p	35.0p	0%
Net new business	**33.3%**	£14.4bn	£18.6bn	£18.5bn	98.2%
Net new clients	**33.3%**	210,000	285,000	328,000	100%

Lansdown shares at the same or a discounted basis to the current estimated value of the previous award and will vest on the same dates as the benefit being replaced. No performance conditions are attached because the existing benefits being bought out have none attached.

Name of Director	Type of award	Market value of maximum award at date of grant	Exercise price	Share price on date of grant	Number of shares over which the award was granted	Face value of award[1]	Fair value at date of grant[2]	% of face value that would vest at threshold	Perfor-mance/ vest-ing period
Ian Gorham	LTIP	Two and a half times salary – £1,250,000	£12.42	£12.84	60,000	£770,400	£25,200	25%	1 July 2015 – 30 Jun 2018
Christopher Hill[3]	LTIP	Two and a half times salary – £1,062,500	£12.56	£12.56	50,000	£ 628,000	-	25%	1 July 2015 – 30 Jun 2018
Christopher Hill	Unapproved share option [4]	n/a	Nil cost option	£12.56	27,100	£340,376	£340,376	n/a	3 Mar 2016 – 4 Aug 2016
Christopher Hill	Unapproved share option [4]	n/a	Nil cost option	£12.56	12,200	£153,232	£153,232	n/a	3 Mar 2016 – 4 Aug 2017
Christopher Hill	SAYE [4]	-[3]	£10.28	£12.93	1,750	£22,628	£4,638	n/a	1 June 2016 – 1 June 2019

[1] Face value is calculated as the share price at the date of grant multiplied by the number of options granted.
[2] Fair value is calculated as the difference between market value and the exercise price at the date of grant. Note that SAYE options were granted at a discount, on the same basis as for all employees.
[3] Savings into the SAYE are capped at a maximum of £500 per month.
[4] These are non-performance related awards.

Performance conditions for the awards made under the plan during the year ended 30 June 2016 were as follows, with the performance period commencing 1 July 2015:

Performance condition	Percentage of award	Threshold	Maximum
Earnings per share ('EPS') [2]	33%	42.7p	51.2p
Net new business inflows	33%	[1]	[1]
Client Service measure	33%	215	265

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

Hargreaves Lansdown has a long history of industry leading client service and this underpins the pricing model that the Company has been able to sustain. The objective of the Client Service Measure is to maintain this industry leading position.

This internally constructed measure consists of a combination of Net Promoter Scores across each of three key product areas, SIPP, ISA and Fund and Share Account and our client retention rate.

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

Remuneration arrangements for new CFO, Christopher Hill

As disclosed in last year's Remuneration Report, the package agreed by the Committee for Christopher Hill was a base salary of £425,000 per annum, eligibility for annual bonus (pro-rated for time to be employed), participation in the LTIP and participation in other benefits on the same basis as other Executive Directors. On appointment, a subset of his existing benefits was bought out on the same terms and in accordance with the recruitment section of the Remuneration Policy.

OUTSTANDING SHARE OPTIONS AND SHARE AWARDS

The table below sets out details of outstanding share options and awards for Executive Directors. These figures included have ben audited.

Name of director	Scheme	Grant date	Exercise price £	Number of shares under option at 1 July 2015	Number granted during year	Number exercised during the year	Market value at the date of exercise £	Number lapsed during the year	Number of shares under option and unexercised at 30 June 2016	End of performance period	Vesting date	Performance/ vesting period	Date of expiry of option
Ian Gorham	2015 LTIP	07/10/15	12.42	-	60,000	-		-	60,000	30/06/18	07/10/18	3 years	07/10/21
	Deferred bonus options [1]	7/10/15	Nil	-	29,921	-		-	29,921		07/10/18	3 years	07/01/19
	Sharesave [1]	14/04/15	9.58	1,565	-	-		-	1,565	-	01/05/20	5 years	01/11/20
	2014 LTIP	02/10/14	9.32	55,000	-	-		-	55,000	30/06/17	02/10/17	3 years	02/10/20
	2013 LTIP	17/02/14	13.29	50,000	-	-		-	50,000	30/06/16	07/09/16	3 years	17/02/20
	2012 LTIP	31/12/12	6.87	60,000	-	52,441	14.80	7,559	-	30/06/15	16/09/15	3 years	31/12/18
	Deferred bonus options [1]	17/02/14	Nil	16,865	-	-		-	16,865	-	17/02/17	3 years	01/10/17
	Deferred bonus options [1]	02/10/14	Nil	21,809	-	-		-	21,809	-	02/10/17	3 years	02/01/18
	Sharesave [1]	29/03/12	3.65	4,109	-			-	4,109	-	01/05/17	5 years	01/11/17
Christopher Hill	2015 LTIP	03/03/16	12.56	-	50,000	-		-	50,000	30/06/18	03/03/19	3 years	03/03/22
	Unapproved [1]	03/03/16	Nil	-	27,100	-		-	27,100	-	04/08/16	5 months	03/03/26
	Unapproved [1]	03/03/16	Nil	-	12,200	-		-	12,200	-	04/08/17	17 months	03/03/26
	Sharesave [1]	08/04/16	10.28	-	1,750	-		-	1,750	-	01/06/19	3 years	01/12/19

[1] These are non-performance related awards

The market value of the Company's shares was £12.43 at year end. The highest and lowest market values during the year were £15.25 and £10.54.

Sourcing shares

The Investment Association guidelines on sourcing shares have been followed and, in line with the scheme rules, the Company has not issued shares under all employee schemes which, when aggregated with awards under all of the Company's other schemes, exceed 10% of the issued ordinary share capital in any rolling ten year period. The Company has also not issued new shares under executive (discretionary) schemes which exceed 5% of the issued ordinary share capital of the Company in any rolling ten year period.

EXECUTIVE DIRECTORS SHAREHOLDINGS AND SHARE INTERESTS (AUDITED)

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

Ian Gorham currently owns shares outright, at a level exceeding his required shareholding as described above based on a share price of £12.43 (being the closing price on 30 June 2016). Christopher Hill has a further three years to obtain a one times base salary shareholding.

Current shareholdings are summarised in the following table:

Name of Director	Beneficially owned at 30 June 2015	Beneficially owned at 30 June 2016	Outstanding subject to continued employment	Outstanding subject to continued employment, arising from deferred bonus	Outstanding subject to continued employment, arising from recruitment award Non-performance related awards granted in year	Outstanding LTIP awards with performance conditions	No of share options vested but unexercised at 30 June 2016	No of share options exercised in the year	Shareholding guideline (multiple of base salary)	Shareholding as a multiple of base salary achieved at 30 June 2016
Ian Gorham	332,628	332,628	5,674	68,595	-	165,000	-	52,441	Two times	Over eight times
Christopher Hill	-	-	1,750	-	39,300	50,000	-	-	One times	-

The table to the right shows, as at 30 June 2016, the Hargreaves Lansdown shares held by the Non-Executive Directors:

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

PERCENTAGE CHANGE IN CHIEF EXECUTIVE'S REMUNERATION

The table to the right shows the percentage change in remuneration of the Director undertaking the role of Chief Executive and the Company's employees as a whole between the year ended 30 June 2015 and the year ended 30 June 2016.

Note that the Chief Executive's bonus in the two preceding years had changed by -10% and -13%.

	Salary	Annual bonus
Chief Executive % change	11%	32%
Employee % change	4%	19%

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

In determining Director's pay, the Committee considers comparison with the remuneration of all staff. There has been no formal consultation with employees in determining policy, although a staff survey was held during the year. Note that the above figures show the difference in average pay for employees.

2016 CHIEF EXECUTIVE'S TOTAL REMUNERATION

Outlined below is the total remuneration figure for the Chief Executive from 2010 to 2016

	2010	2011	2012	2013	2014	2015	2016
	Peter Hargreaves	Peter Hargreaves[2]/ Ian Gorham[3]	Ian Gorham	Ian Gorham	Ian Gorham	Ian Gorham	Ian Gorham
Total Remuneration	£405,917	£85,123/ £1,034,167	£1,640,895	£6,751,557	£10,608,359	£2,058,642[5]	£2 ,070,861
Annual Bonus as a percentage of maximum	(Nil)	(£73,333)[1] / (£666,667)[1]	(£1,250,000)[1]	(£1,500,000)[1]	60% (£1,350,000)	52% (£1,170,000)[6]	78% (£1,550,000)
Shares vesting[4] as a percentage of maximum	Nil	Nil/ Nil	Nil	100%	100%	Nil	Nil

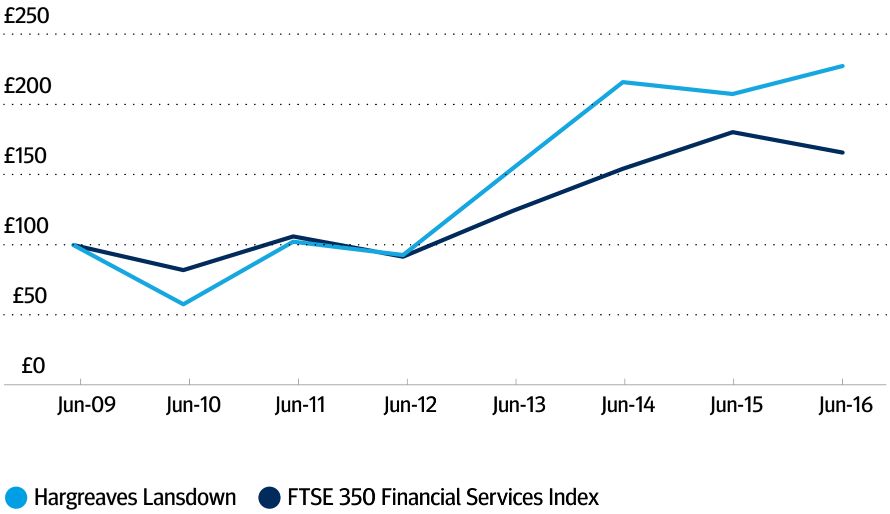
[1] Prior to 2014, there was no individual cap on annual bonus payable, other than the overall bonus pool cap as a percentage of profit before tax. Bonus figures shown are gross of any sacrifice into pension and before any compulsory deferral.
[2] Emoluments for Peter Hargreaves for 2011 are shown for the 2 months prior to date of his resignation from the role as CEO.
[3] Emoluments for Ian Gorham for 2011 are shown for the 10 months following his appointment to the Board as a director.
[4] Options vesting in 2014 and 2013 pre-dated the LTIP and therefore had no performance criteria.
[5] This figure was previously £1,224,715, which included an estimate of value for the 2015 vesting LTIP. This has been updated for the actual value received.
[6] This figure includes £1,150,000 as shown in the single figure tables in addition to £20,000 in favour of making a higher pension contribution.

TOTAL SHAREHOLDER RETURN

The graph shows the Company's performance measured by Total Shareholder Return (TSR), which is the capital growth and dividends paid. This is compared with the performance of the FTSE 350 Financial Services Index for the last seven years.

The graph shows the value of £100 invested in Hargreaves Lansdown plc shares on 1 July 2009 compared to the value of £100 invested in the FTSE 350 Financial Services Sector Index for each of our financial year ends to 30 June 2016. We have chosen the FTSE 350 Financial Services Index as we believe it is the most appropriate comparator for benchmarking our corporate performance over the seven year period.

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



The chart above shows the value of £100 invested in the company on the 1 July 2009 compared with the value of £100 invested in the FTSE 350 Financial Services Index for each of our financial year ends to 30 June 2016. We have chosen the FTSE 350 Financial Services Index as we believe it is the most appropriate comparator for benchmarking our corporate performance over the seven year period.

RELATIVE IMPORTANCE OF THE SPEND ON REMUNERATION

The table to the right shows the actual expenditure of the Group in terms of total employee remuneration pay, profit before tax, and total dividends for this and the previous year.

To aid comparison we have also detailed the percentage change between the years.

	Total Dividend Paid £'m	Profit Before Tax £'m	Staff Costs £'m	Total Dividend Declared (Pence per share)
2016	160.6	218.9	60.2	34.0
2015	155.7	199.0	53.1	33.0p
% Change	+3%	+10%	+13%	+3%

ALL-EMPLOYEE SHARE PLANS

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

PENSION

No Directors or staff participate in a defined benefit pension scheme. The Group operates its own Group Self Invested Personal Pension (the "GSIPP"). The Company contributes 4% of base salary to the scheme which applies to Executive Directors and staff. Employees wishing to make personal contributions to the GSIPP can do so via 'salary exchange' or 'bonus waiver' ensuring that they benefit from the maximum, immediate relief from income tax and National Insurance. Staff are required to contribute 3%, with contribution levels increasing to 4% from October 2016 and to 5% from 1 October 2017. Staff, Senior Management and Executive Directors may opt out of the scheme should they wish. Where an individual has reduced the level of their contribution to the GSIPP due to exceeding, or being due to exceed, the Lifetime Allowance, or has opted out where they have elected to protect their Lifetime Allowance, the Group will make an additional monthly payment equivalent to the employer's pension contribution amount forsaken.

The Committee confirms that no excess retirement benefits have been paid to current or past Directors.

PAYMENTS TO THIRD PARTIES

The Committee confirms that no amounts have been paid to third parties in respect of Directors' services.

PAYMENTS TO PAST DIRECTORS (AUDITED)

The Committee confirms that no payments have been made to past Directors during the year, other than the pay-out of the 52,441 LTIP shares previously disclosed in the 2015 single figure table to Tracey Taylor. The expected value of this award was £281,000 and the actual gain made was £372,000. The market value on exercise was £13.96 and the exercise price was £6.87.

PAYMENTS FOR LOSS OF OFFICE (AUDITED)

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

EXTERNAL ADVISORS

Throughout the year, the Committee has appointed and been advised by Deloitte LLP, who are signatories to the Code of Conduct for the provision of independent remuneration advice of the Remuneration Consultants Group. Following a review of the advice provided, the Remuneration Committee are satisfied that the advice it has received was objective and independent. The fees payable to Deloitte for this advice were £35,000 plus VAT. Fees are determined at the outset of the year to cover the range of services it is anticipated the Remuneration Committee will require. If additional work is necessary, fees are agreed for these additional services.

Other services provided to Hargreaves Lansdown by Deloitte LLP consisted of the secondment of Simon Cleveland, Interim CFO; assistance with project work; ICAAP training and support for the risk function.

EXTERNAL DIRECTORSHIPS OF EXECUTIVE DIRECTORS IN THE YEAR

Neither Ian Gorham nor Christopher Hill currently holds any external Directorships. Statement of voting at the AGM

STATEMENT OF VOTING AT THE AGM

At the AGM held in 2015, votes cast by proxy and at the meeting in respect of the Directors' remuneration report were as follows:

Resolution	Votes for including discretionary votes	% for	Votes against	% against	Total votes cast excluding votes withheld	Votes withheld	Total votes cast including votes withheld
Approve Director's Report on Remuneration (excluding Directors Remuneration Policy)	382,185,292	97.69%	9,050,213	2.31%	391,235,505	1,006,345	392,241,850

At the AGM held in 2014 (the last time the Directors Remuneration Policy was subject to shareholder vote), the votes cast by proxy and at the meeting in respect of the Directors Remuneration Policy were as follows:

Resolution	Votes for including discretionary votes	% for	Votes against	% against	Total votes cast excluding votes withheld	Votes withheld	Total votes cast including votes withheld
Approve Directors Remuneration Policy	379,027,684	98.4%	5,941,081	1.54%	384,968,765	84,379	385,053,144

ROLE OF THE REMUNERATION COMMITTEE

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

The Remuneration Committee met seven times during this financial year. The Committee is chaired by Christopher Barling and its other members at 30 June 2016 were Mike Evans, Shirley Garrood and Stephen Robertson. None of the Committee has any personal financial interest (other than as shareholders), conflicts of interests arising from cross-directorships or day-to-day involvement in running the business.

The Committee's purpose is to:

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

The performance measurement of the Directors and key members of senior management and the determination of their annual remuneration packages are undertaken by the Committee. The Committee also ensures that the remuneration relationship between the Directors and senior employees of the Company is appropriate and that the remuneration policy complies with the FCA Remuneration Code. Any exceptional remuneration arrangements for senior employees are advised to the Committee.

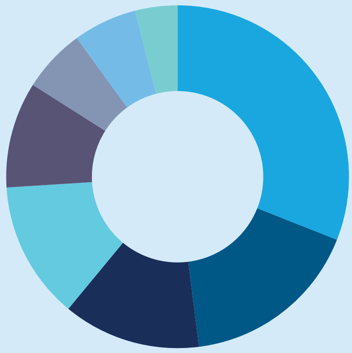
RESPONSIBILITY

The Board remains ultimately accountable for executive remuneration but has delegated this responsibility to the Remuneration Committee. The Committee's full terms of reference are available on the Company's website.

In determining the Directors' remuneration and the remuneration structure for the current financial year, the Committee consulted Ian Gorham about its proposals, although no Director was involved in discussions regarding their own remuneration.

REMUNERATION COMMITTEE ALLOCATION OF TIME

The chart below provides an illustration of the approximate percentage of time spent by the Committee on various matters during 2015/16.



- **31%** Share incentive
- **17%** Regulation and remuneration structure
- **13%** Executive Pay (excluding LTIP)
- **13%** MRTs & FCA policy statement
- **10%** Remuneration report
- **6%** Contracts
- **6%** Other
- **4%** Investor feedback

MEMBERSHIP AND ATTENDANCE

	Meetings eligible to attend	Meetings attended
Chairman		
Christopher Barling	7	7
Members		
Mike Evans	7	7
Shirley Garrood	7	7
Stephen Robertson	6	5
Dharmash Mistry	1	1

DIRECTORS' REMUNERATION POLICY – FOR INFORMATION ONLY

PREAMBLE

This Policy took effect immediately following the AGM of 24 October 2014. It is the intention of the Committee that this Policy will be in effect for three years from the date of approval. The Committee has reviewed the policy and intends to operate it in the future with the following tightening of policy, which are explained in detail in the Remuneration Report:

- The cap on Directors Annual Performance Bonus has been constrained to four times base salary.
- The special arrangements for the founding Executive Director will not be applied as Peter Hargreaves has stepped down from the Board.
- Provision for clawback has been applied to variable remuneration, and will continue in the future.
- No LTIP will be granted for the 2017 performance year.
- 40% of the bonus payable at the end of the 2017 performance year will be deferred entirely into Hargreaves Lansdown plc shares with no dividend entitlement during the deferral period. These deferred shares will be subject to malus.

POLICY

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

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

A) POLICY APPLYING TO THE EXECUTIVE DIRECTORS OF THE COMPANY

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

Long Term Incentive Plan To align the interests of Directors with those of shareholders and to reward growth of the long-term value of the business.	Annual awards of market value share options will vest after 3 years subject to continuing employment and to the extent that performance tests are met over the 3 year performance period. The awards are subject to up to three performance conditions including one profit related and up to two business performance indicators. In respect of each performance condition, which are set by the Committee prior to the grant of the award, performance below the minimum threshold results in zero vesting. Vesting of each performance condition starts at 25% and rises to 100% for levels of performance between the minimum and maximum targets. Any unvested awards are subject to a formal malus mechanism.	The maximum award each year under the Policy is two and a half times base salary.
Shareholding Guideline To align the interests of management and shareholders in the success of the Group.	Directors have six years from appointment to achieve a shareholding with a minimum value of two times base salary with a minimum goal of one times after three years assessed on 30 June of each year.	Not applicable.
Pension To provide adequate pension saving arrangements for Directors and staff.	Pension provision is provided in line with the pension provision for all staff. Any changes made to the staff arrangements will be carried across to the Directors. The Committee may amend the form of any Director's pension arrangements in response to changing pension legislation or similar developments, so long as any amendment does not increase the cost to the Company of a Director's pension provision by any greater percentage than the increase to the provision for all other staff. All staff and Directors may waive an element of their Annual Performance Bonus in return for a corresponding employer's contribution into their pension. The Committee reserves the right to pay a cash allowance in place of an employer pension contribution where a Director has reached the Lifetime Allowance.	Current policy for all staff pensions is defined contribution with an employer contribution of a maximum of 4% of base salary. Any contribution paid as a result of waiver of the cash element of an Annual Performance Bonus will not be counted towards the 4% maximum.
Benefits An 'across the board' benefits package is available to both staff and Directors alike.	All eligible staff and Directors may take up a range of benefits. Where costs are necessarily incurred in the performance of duties on behalf of the Company, those costs will be reimbursed in full e.g. travel, accommodation, subsistence, relocation, and any tax and social costs arising. Provision of tax efficient benefits such as pension contributions, additional holiday, childcare vouchers and workplace parking is available through a salary sacrifice mechanism. Group life insurance and Group PHI is provided to all staff with greater than six months continuous service. All eligible staff (as defined by the scheme rules and which includes Executive Directors) may participate in the Save As You Earn scheme or Share Incentive Plan. Appropriate Director insurance and indemnity cover is provided by the Company.	The maximum value of benefits will depend on the cost of the provision of those benefits. There are a number of variables and unknowns impacting the maximum payable in the event of relocation; however, the Committee would pay no more than is necessary in such situations.

B) SPECIAL ARRANGEMENTS FOR FOUNDING EXECUTIVE DIRECTOR

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

C) POLICY APPLYING TO THE CHAIRMAN AND NON-EXECUTIVE DIRECTORS OF THE COMPANY

Component / Purpose	Operation
Basic fee To attract and retain high performing individuals, considering both the market value of the position and the individual's skills, experience and performance.	The Chairman and Non-Executive Directors' basic fees are reviewed annually by those responsible as outlined earlier. Fee increases, if applicable, are normally effective from 1 July. The fee levels are set taking into account market data for comparable positions taking account of the time commitment required for the role. All Non-Executive Director's fees including those below are paid in cash, on a quarterly basis. The Non-Executive Directors are not eligible for bonuses, pension, or to participate in any Group employee share plan.
Committee Chairman fees To recognise the additional time commitment and responsibility involved in chairing a Committee of the Board.	Each Non-Executive Director receives an additional fee for each Committee for which they are Chairman. The Committee Chairman fees reflect the additional time and responsibility in chairing a Committee of the Board, including time spent in preparation and liaising with management, and the time spent attending and preparing for a Committee of the Board.
Senior Independent Director (SID) fee To recognise the additional time commitment and responsibility involved holding the role of the SID.	The SID receives an additional fee for his role. The fee reflects the additional time and responsibility in fulfilling the role of Senior Independent Director.
Benefits and Expenses To appropriately reimburse the Chairman and Non-Executive Director for out of pocket expenses incurred in the fulfilment of their responsibilities and any tax and social costs arising.	Expenses may be claimed by the Chairman and Non-Executive Directors in line with the Company's expenses policy. Appropriate Director insurance and indemnity cover is provided by the Company. Reduced share dealing fees, in line with those charged for all other employees. No other benefits are made available to Non-Executive Directors.

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

SERVICE AGREEMENTS AND LOSS OF OFFICE PAYMENTS

All Executive Directors have a service contract and the Non-Executive Directors are contracted under a letter of appointment. Both will reflect the approved policy in force at the time of appointment. The service contracts and the letters of appointment for all Directors in post are available for viewing (on the giving of reasonable notice) at our registered office during normal business hours and both prior to and at the Annual General Meeting. Under the terms of our Articles of Association, all Directors are subject to annual re-election by shareholders.

EXECUTIVE DIRECTORS

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

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

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

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

PROVISIONS ON A TAKEOVER AND OTHER CORPORATE EVENTS

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

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

CHAIRMAN AND NON-EXECUTIVE DIRECTORS

The Chairman's and Non-Executive Directors' (NEDs) letters of appointment cover the terms of their appointment, including the time commitment expected. Each appointment is for an initial fixed term of three years from the commencement date subject to election by shareholders at the first Annual General Meeting following their appointment and annual re-election thereafter.

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

APPROACH TO RECRUITMENT REMUNERATION

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

Additional cash and/or share based awards on a one-off basis may be made as deemed appropriate by the Committee if the circumstances require taking into account pay or benefits forfeited by a Director on leaving a previous employer. The Committee has the discretion to make such awards under the LTIP and in excess of the LTIP salary limit or as permitted under Rule 9.4.2 of the Listing Rules (which allows companies to make one off share awards in exceptional circumstances, including recruitment). Such awards will, as far as possible, maintain consistency with the awards forfeited in terms of type of reward (shares or cash), expected value, time horizons and whether they were subject to performance criteria. Other payments may be made for relocation expenses, recruitment from abroad, legal costs and other costs or benefits forfeited by an individual being recruited. None of these payments made on new appointments will be deemed to be taken from the bonus pool.

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

LEGACY ARRANGEMENTS

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

CHANGES IN LEGISLATION OR REGULATION

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

PAY MODELLING AND PERFORMANCE MEASURE SELECTION

The Committee will disclose each year in the Group's Annual Report a bar chart that models the potential remuneration for each of the Executive Directors for the forthcoming year using a range of assumptions. The chart will show the potential value of the current Executive Directors' remuneration for the forthcoming year for three scenarios; 'minimum', 'maximum' and 'middle scenario':

- The minimum amount represents the unconditional components of the remuneration package: salary, pension and employee benefits.
- The mid-point amount is the amount the Executive Director will receive if they attain at least half of their objectives for the period. It will include both fixed and variable components of remuneration. The variable will reflect performance achieved during the year.
- The maximum level is the maximum amount of remuneration each Executive Director can be awarded in the year. The maximum is subject to the remuneration caps that have been established for each component.

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

REMUNERATION POLICY FOR OTHER EMPLOYEES

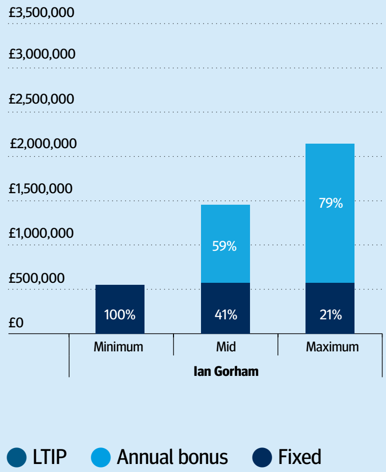
All employees across the Group are subject to the same process in respect of annual salary reviews. Consideration is given to the scope of each role, the level of experience, responsibility, progress in role, and pay levels for similar roles in comparable companies. The performance and potential of the individual is also considered.

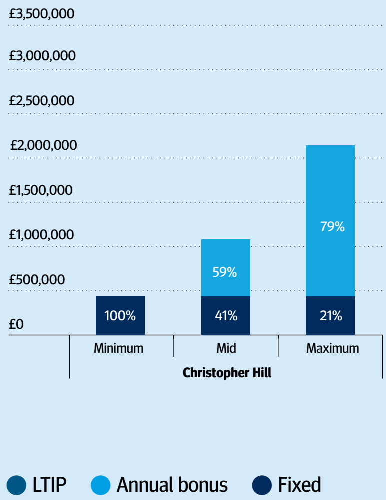
All permanent employees are considered for an annual performance bonus with similar metrics to those used for the Executive Directors. All eligible employees (under the rules of the scheme) may also participate in the Group's Save As You Earn and Share Incentive Plans and senior staff may also be awarded share options under the Group's Company Share Option Plan or Executive Share Option Plan where they have displayed exceptional performance.

EXTERNAL BOARD APPOINTMENTS

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

ILLUSTRATION OF 2017





CONSULTATION WITH EMPLOYEES

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

CONSIDERATION OF SHAREHOLDER VIEWS

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

The Committee considers shareholder feedback received in relation to the AGM each year at its first meeting following the AGM. This feedback, as well as any additional feedback received during any other meetings with shareholders, is then considered as part of the Company's annual review of the remuneration policy. We also regularly engage with our largest shareholders to ensure we understand the range of views which exist on remuneration issues. When any material changes are made to the Policy, the Committee will discuss these in advance with our major shareholders wherever practical. The Committee will also consult with professional advisors to ensure we consider current market and industry practices, where appropriate.

APPROVAL

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

Christopher D. Barling
Chairman of the Remuneration Committee
6 September 2016

NOMINATION COMMITTEE REPORT

I am pleased to present the Committee's report for 2016. Over the period we have completed the appointment process for our new Chief Financial Officer (CFO), Christopher Hill, and our latest Non-Executive Director, Jayne Styles. We reviewed the size and composition of the Board and we have improved the quality of our succession planning and endorsed the leadership and development plans.

	Meetings eligible to attend	Meetings attended
Chairman		
Mike Evans	3	3
Members		
Chris Barling	3	3
Shirley Garrood	3	3
Stephen Robertson	3	3
Jayne Styles (joined Committee as member Oct 15)	1	1
Dharmash Mistry (resigned, last meeting Aug 15)	0	0

ROLE OF THE NOMINATION COMMITTEE

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

We have a formal, rigorous and transparent procedure for the appointment of new Directors to the Board. The process involves the Nomination Committee interviewing suitable candidates who are proposed by existing Board members, by an external search company, or via searches performed by the Company itself. Consideration will be given to ensure appointees have enough time available to devote to the role and that the balance of skills, knowledge and experience on the Board will be maintained. When the Committee has found a suitable candidate, the Chairman of the Committee will make a proposal to the whole Board and the appointment is the responsibility of the whole Board following recommendation from the Committee.

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

NOMINATION COMMITTEE – MEMBERSHIP AND ATTENDANCE

The Nomination Committee meets at least twice a year but more frequently when required, and met four times during this financial year. The Committee is chaired by Mike Evans and its other members at 30 June 2016 were Christopher Barling, Shirley Garrood, Stephen Robertson and Jayne Styles. The Chief Executive and the Chief People Officer are routinely invited to attend meetings as required.

DIVERSITY

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

Board balance and diversity in making new appointments to the Board.

As at 30 June 2016, the Board numbers seven in total, of which two are executive and five independent (including the Chairman). Female Directors constitute 29% of the Board and 0% of the Executive Committee. Subject to the requirements set out above, Hargreaves Lansdown will aim to maintain female representation on the Board at least at the current level and give due consideration to increasing the level if appropriate candidates are available when Board vacancies arise. We are committed to maintaining a diverse workforce at all levels across the Company and more information on how we do this can be found in the Our People section on page 44. A copy of our full statement on Board Diversity can be found on www.hl.co.uk.

MAIN ACTIVITIES DURING THE FINANCIAL YEAR

During the year the Committee completed the approval and appointment process of our new CFO Christopher Hill, the search for which was led by Oryx Executive Search, a search company which has no other connection with the Company. The Committee also completed the approval and appointment process of our latest Non-Executive Director, Jayne Styles, and recommended her appointment as Chair of the Investment Committee. This search was internally led, utilising the Group's extensive links with the investment community to generate potential candidates.

Following the externally facilitated Board Effectiveness review in 2015, in July 2015 the Committee considered in depth the structure, size, composition and diversity of the Board and identified several specific areas for consideration when the need arises to broaden the non-executive side of the Board.

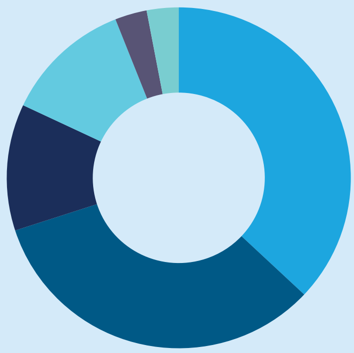
In May 2016, the Committee received and discussed in depth a detailed review of succession planning for the Executive Directors and senior management within the Group. It also received and endorsed the leadership and development curriculum for the senior team. In the same meeting, the Committee discussed the possible options for succession planning for the Chairman. Subsequent to their discussions, the Committee commissioned external consultants to undertake psychometric profiles of potential candidates for appointment to the Executive Committee and for Chief Executive succession.

Signed on behalf of the Nomination Committee.

Mike Evans
Chairman of the Nomination Committee
6 September 2016

NOMINATION COMMITTEE ALLOCATION OF TIME

The chart below provides an illustration of the approximate percentage of time spent by the Committee on various matters during 2015/16.



37% Succession planning
33% Leadership and developement
12% Board needs
12% Non-Exec recruitment
3% Exec recruitment
3% Diversity

RISK COMMITTEE REPORT

CHAIRMAN'S OVERVIEW

On behalf of the Board Risk Committee I am pleased to present the Committee's report for 2016. Over the period we have had a number of challenging and valuable discussions in the Committee: the impacts of the EU referendum, the annual review and approval of the Risk Appetite statements, the Hargreaves Lansdown Change Programme, the continual evolution of our fraud and cyber control environment and the rolling consideration of the risk profile. The Risk Committee approved and recommended the Hargreaves Lansdown Internal Capital Adequacy Assessment Process (ICAAP) for the Board approval on 24th February 2016.

ROLE OF THE BOARD RISK COMMITTEE

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

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

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

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

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

BOARD RISK COMMITTEE – MEMBERSHIP AND ATTENDANCE

The Risk Committee meets at least four times each year but more frequently when required, and met five times during this financial year. The attendance by each director is set out in the table below. The Director of Risk and Compliance, Chief Risk Officer, Chief Information Officer, Chief Financial Officer, Commercial Director Chief Executive and Head of Internal Audit are routinely invited to attend meetings, although the Committee reserves the right to request any of these individuals to withdraw.

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

The members of the Risk Committee at 30 June 2016 and attendance at the five Committees held during the 12 month period are shown in the table below.

The Committee membership constitutes independent non-executive directors and a non-executive Chairman. The biographies of Committee members can be found on page 50 of the Annual Report.

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

MAIN ACTIVITIES DURING THE YEAR

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

1. Development and enhancement of the Hargreaves Lansdown Risk framework

During the period the Risk Committee has overseen a review and enhancement of the Hargreaves Lansdown Risk framework. Each element of the model has been assessed, challenged and where appropriate improvements identified and delivered.

As a result of this review key areas have been further developed and approved by the

	Meetings eligible to attend	Meetings attended
Chairman		
Mike Evans	5	5
Members		
Shirley Garrood	5	5
Stephen Robertson	5	5
Chris Barling	5	5
Jayne Styles (joined Committee as member Oct 15)	3 (plus one as an observer)	3

‹ BACK TO CONTENTS

Committee, in particular the 'Risk Appetite model' and the structure within which the risk registers are managed and have been developed. The Risk Committee approved the refreshed Group Risk Appetite Statements in January 2016 and a fresh Risk Universe was approved in April 2016.

2. Risk Management MI and risk profile discussions

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

3. Emerging risks

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

4. Fraud & Cyber risk

The Risk Committee is aware of the industry exposure to both fraud and cyber risk, and this is reflected in the frequency with which it is discussed at the Committee. During the period a new Chief Information Security Officer was recruited and the Fraud team became part of the Compliance and Risk department. The Committee acknowledged and supported the approval by the Executive Committee of a 'Cyber Security Strategy'. The strategy is focused on the concept of 'Protect, Detect, Respond and Recover' and as such covers lifecycle information, physical and personnel security, fraud monitoring as well as elements of service continuity/disaster recovery.

5. Internal Capital Adequacy Assessment Process (ICAAP)

The Committee approved and recommended for Board approval the Hargreaves Lansdown ICAAP on 24 February 2016. Understanding of the ICAAP and using it as an element of risk management challenge to the business is integral to the Committee, with specific agenda items dedicated to the constituent elements including reverse stress testing, stress and scenarios and wind down.

6. Project risks

The Risk Committee has maintained oversight of the Group's change programme throughout the period, with updates provided to the Committee by the Change team for consideration and challenge. The Committee received sufficient assurance to be confident that the change agenda was being managed within agreed appetite and capital adequacy levels.

7. Risk Framework & Governance

The Committee reviewed a report from the Chief Risk Officer regarding the design and effectiveness of the risk management framework, including the introduction of a new Executive Risk Committee. The Executive Risk Committee is chaired by the Group Director of Risk & Compliance. Its role is to oversee the day to day risk management across the Group as set out on page 56. It meets monthly with attendance from members of the Executive Committee supported by Senior Management and Subject Matter Experts. The Board Risk Committee recommended the report to the Audit Committee as the basis for its approval of the businesses management of risk and the effectiveness of the control environment.

8. Remuneration schemes Governance

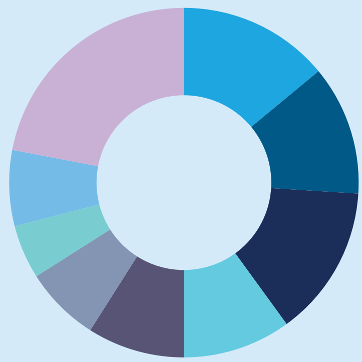
The Committee provided support and input to the Remuneration Committee by reviewing a report from the Chief Risk Officer covering the appropriateness of the remuneration schemes upon the Group's risk profile.

9. Risk Effectiveness

During the year, the Committee has overseen a range of improvements in both the capacity of the Risk Team, including the appointment of a new Chief Risk Officer, and the completeness of the framework. These measures have all increased the effectiveness of Risk Management. The Chairman of the Risk Committee has been in regular contact with the Head of Internal Audit throughout the year. Having conducted a review of the Risk department the Committee is happy with both its resources and its future development plans. At its meeting in June 2016, the Committee received and approved the Annual Report on the adequacy and effectiveness of the Group's risk management process.

BOARD RISK COMMITTEE ALLOCATION OF TIME

The chart below provides an illustration of the approximate percentage of time spent by the Committee on various matters during 2015/16.



- **14%** Risk Framework
- **12%** Business Model Risks
- **14%** Emerging Risks
- **10%** Fraud & Cyber Risk
- **9%** Capital Adequacy
- **7%** Project Risks
- **5%** AML/MLRO Reports
- **7%** Remuneration
- **22%** Other

Signed on behalf of the Risk Committee

Mike Evans
Chairman of the Risk Committee
6 September 2016

DIRECTORS' REPORT

THE STRATEGIC REPORT AND DIRECTORS' REPORT

The Directors present their report on the affairs of the Group and the audited consolidated financial statements of the Group for the year ended 30 June 2016. Accompanying this Directors' Report are the Strategic Report, Corporate Governance Report, Audit Committee Report and Directors' Remuneration Report. These reports form part of the Annual Report.

A review of the business and its future development is set out in the Strategic Report. A description of the principal risks and uncertainties is given on page 36 of the Strategic Report.

CAUTIONARY STATEMENT

The review of the business and its strategic priorities in the Annual Report has been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for these strategies to succeed. It should not be relied on by any other party for any other purpose. The review contains forward looking statements which are made by the Directors in good faith based on information available to them up to the time of the approval of these reports and should be treated with caution due to inherent uncertainties including both economic and business risk factors associated with such statements. The Directors, in preparing this Strategic Report, have complied with Section 417 of the Companies Act 2006.

RESULTS AND DIVIDENDS

The results of the Group are set out in detail on page 100. The Company paid a final dividend and an interim dividend during the period, as detailed in Note 10 to the financial statements. A second interim (final) dividend of 16.30 pence per ordinary share and a special dividend of 9.90 pence per ordinary share were declared after the balance sheet date and will be payable on 28 September 2016 to shareholders on the register at close of business on 16 September 2016. Details of dividend waivers are also detailed in Note 10.

EVENTS AFTER BALANCE SHEET DATE

Details of those important events affecting the Group which have occurred since the end of the financial year are set out in Note 26 to the consolidated financial statements.

EMPLOYEE DISCLOSURES

Our disclosures relating to the employment of disabled persons, the number of women in senior management roles, employee engagement and policies are included in "Our People" on pages 44 to 45.

CORPORATE SOCIAL RESPONSIBILITY

Information about the Company's approach to the environment and sustainability including details of our greenhouse gas emissions are set out on pages 40 to 43.

RISK MANAGEMENT

Details of the Group's policy on risk management has been made in Note 28 to the consolidated financial statements and relate to various financial instruments and the exposure of the Group to financial, market, liquidity and credit risk.

CORPORATE GOVERNANCE

The Corporate Governance Report found on pages 52 to 59 and, together with this report of which it forms part, fulfills the requirements of the Corporate Governance Statement for the purpose of the Financial Conduct Authority's Disclosure and Transparency Rules (DTR).

SHARE CAPITAL

The Company's shares are listed on the of the London Stock Exchange. The Company's authorised and issued share capital during the year and as at 30 June 2016 is shown in note 22. The ordinary shares rank pari passu in all respects. Save as agreed at the Annual General Meeting of the shareholders, the ordinary shares have pre-emption rights in respect of any future issues of ordinary shares to the extent conferred by Section 561 of the Companies Act 2006.

BENEFICIAL OWNERS OF SHARES WITH 'INFORMATION RIGHTS'

Beneficial owners of shares who have been nominated by the registered holder of those shares to receive information rights under section 146 of the Companies Act 2006 are

	Number and % of Ordinary Shares at 30 June 2016	Number and % of Ordinary Shares at 30 June 2015
Non-Executive Directors		
Christopher Barling	-	-
Mike Evans	8,125 (<0.01%)	8,125 (<0.01%)
Stephen Robertson	9,890 (<0.01%)	9,890 (<0.01%)
Shirley Garrood	-	-
Jayne Styles	-	-
Executive Directors		
Ian Gorham	332,628 (0.07%)	332,628 (0.07%)
Christopher Hill	-	-
Total	350,643 (0.07%)	350,643 (0.07%)

Interested Party	Date of notification	Number and % of Ordinary shares
BlackRock, Inc.	7 July 2016	32,343,003 (6.81%)
Peter Hargreaves	14 April 2015	152,639,678 (32.18%)
Stephen Lansdown	25 March 2014	75,500,000 (15.92%)
Baillie Gifford & Co	30 September 2014	23,888,812 (5.04%)

There is a Relationship Agreement in place between Peter Hargreaves and the Company to ensure that the independence provisions as set out in the Listing Rules are complied with. The Board confirms that for the year ended 30 June 2016, and in accordance with Listing Rule 9.8.4(14):

(i) The Company has complied with the independence provisions included in the Relationship Agreement.
(ii) So far as the Company is aware, the independence provisions included in the Relationship Agreement have been complied with by the other parties to the Relationship Agreement and their associates.

required to direct all communications to the registered holder of their shares rather than to the Company's registrar, Equiniti Registrars, or to the Group directly.

DIRECTORS' INTERESTS

The Directors who held office during the year and at 30 June 2016 had interests (including beneficial interests) in the shares of the Company as shown in the table opposite. These interests are exclusive of any interests under share options or awards, details of which are set out in the Directors' Remuneration Report.

During the period covered by this report, no Director had any material interest in a contract to which the Company or any of its subsidiary undertakings was a party other than their own service contract, requiring disclosure under the requirements of the Companies Act 2006 except in respect of the rental of the office premises at Kendal House as disclosed in note 27 to the financial statements.

DIRECTORS' INDEMNITIES

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was introduced in August 2014 and is currently in force. The Company also purchased and maintained throughout the financial year directors' and officers' liability insurance cover in respect of itself and its Directors to guard against against liability which may be incurred acting as Directors and officers. Cover was increased from £20 million to £40 million during the year and this cover remains in force at the date of this report.

SUBSTANTIAL SHAREHOLDINGS

As at the date of this report, other than the Directors' interests which are set out in the table on the preceeding page, the Company has been notified in accordance with the DTR of the following shareholdings amounting to more than 3% of the issued share capital of the Company.

MARKET ABUSE REGULATIONS

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

ANNUAL GENERAL MEETING

At the Annual General Meeting on 21 October 2016, the following three items of special business will be tabled:

1. Authority to purchase own shares: The Company was granted authority at the AGM in 2015 to purchase its own shares up to an aggregate value of 10% of the issued nominal capital.

This authority expires at this year's AGM and a special resolution will be proposed for its renewal. This resolution gives the Directors authority to make market purchases of up to 47,431,862 ordinary shares, representing approximately 10% of the Company's issued

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

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

Listing Rule 9.8.4	Required Disclosure	Location in the Annual Report
(1)	A statement of the amount of interest, capitalised by the Group during the period under review with an indication of the amount and treatment of any related tax relief.	Not applicable
(2)	Any information required by Listing Rule 9.2.18R relating to unaudited financial information in a class 1 circular or a prospectus; or any profit forecast or profit estimate.	Not applicable
(3)	Listing Rule deleted.	Not applicable
(4)	Details of long term incentive schemes as required by Listing Rule 9.4.3R, being any arrangement where the only participant is a director of the listed company (or an individual whose appointment as a director of the listed company is being contemplated) and the arrangement is established specifically to facilitate, in unusual circumstances, the recruitment or retention of the relevant individual.	Not applicable
(5)	Details of any arrangements under which a director of the company has waived or agreed to waive any emoluments from the company or any subsidiary undertaking.	Not applicable
(6)	Details where a director has agreed to waive future emoluments, details of such waiver together with those relating to emoluments which were waived during the period under review.	Not applicable
(7)	Details of any allotment for cash of equity securities made during the period under review otherwise than to the holders of the company's equity shares in proportion to their holdings of such equity shares and which has not been specifically authorised by the company's shareholders.	Not applicable
(8)	The information required in item (7) above must be given for any unlisted major subsidiary undertaking of the company.	Not applicable
(9)	Details of any share placing where the company is a subsidiary undertaking of another company.	Not applicable
(10)	Details of any contract of significance subsisting during the period under review: a) To which the listed company, or one of its subsidiary undertakings, is a party and in which a director of the listed company is or was materially interested; and b) Between the listed company, or one of its subsidiary undertakings, and a controlling shareholder.	Not applicable
(11)	Details of any contract for the provision of services to the listed company or any of its subsidiary undertakings by a controlling shareholder, subsisting during the period under review.	Not applicable
(12)	Details of any arrangement under which a shareholder has waived or agreed to waive any dividends.	Note 10 to the consolidated financial statements provides information on employee benefit trusts that have waived dividends
(13)	Where a shareholder has agreed to waive future dividends, details of such waiver together with those relating to dividends which are payable during the period of review.	Note 10 to the consolidated financial statements provides information on employee benefit trusts that have waived dividends
(14)	A statement made by the Board in respect of matters relating to a controlling shareholder.	A statement regarding the controlling shareholder is on page 89 of the Directors' report

ordinary share capital at 5 September 2016. The Directors do not have any present intention to exercise such authority and the authority will expire at the conclusion of the next AGM after the passing of the proposed resolution.

2. and 3. Directors' authority to allot shares and waiver of pre-emption rights: The following resolutions are to be proposed as special business at the AGM on 21 October 2015 to enable the Directors to allot unissued shares and, subject to the limits therein contained, to allot shares for cash other than to existing shareholders in proportion to their shareholdings.

Allotment of shares – This resolution renews the Directors' authority to allot shares. The maximum nominal value of relevant securities that may be allotted pursuant to the authority is £632,424.80, representing 158,106,200 ordinary shares. This amount represents approximately 33.3 percent of the Company's total share capital in issue as at 5 September 2016.

Waiver of pre-emption rights – This resolution renews the Directors' authority to issue new shares for cash, without following the statutory pre-emption procedures, so long as: (i) the issue is a rights issue, open offer or other pre-emptive offer, or pursuant to a scrip dividend alternative; or (ii) the aggregate nominal amount of such issue does not exceed £94,863.72 (which represents 5% of the issued share capital as at 5 September 2016).

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

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

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

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 period to June 2019. This assessment has been made with reference to the Group's current position and prospects, the Group's strategy, the Board's risk appetite and the Group's Principal Risks and Uncertainties as detailed in the Strategic Report on pages 1 to 45.

To date the Group's business model (see pages 18 to 21) has proved to be robust, consistently demonstrating growth in the core business through its ability to gather new assets and new clients on to the Vantage platform, even in challenging market conditions. The focus on excellent client service ensures asset and client retention rates are very strong which, combined with a high percentage of recurring income of 78%, has led to a strong track record of profit growth. The core business of the Group continues to increase its market share measurements and, in particular, Hargreaves Lansdown is by far the largest player in the "Direct to Client" platform space with a market share of 37.5%.

The Board is continuing with its focus on the core business model, supplemented with strategic initiatives funded from its own profits in order to broaden the services offered to its clients, primarily through the provision of additional cash services as highlighted on page 6 to 7.

THE ASSESSMENT PROCESS AND KEY ASSUMPTIONS

During the year the Board implemented a new annual strategic planning process involving all the key functions of the business. Whilst the Board has no reason to believe that the Group will not be viable over a longer period, it considers a time horizon of three years to 30 June 2019 as an appropriate period over which to assess its viability and prospects, and to plan the execution of its strategy.

The strategic planning process is overseen by the Board, which actively participates in the process through bi-annual strategy days and through challenges which take account of the external environment including macroeconomic, regulatory, social and technological changes. The output of the strategic plan is a set of objectives and the allocation of resources required to achieve them in order to further increase our market share and continue its profitable growth. This is supported by an analysis of the risks that could prevent the plan from being delivered and a set of financial forecasts.

The financial forecast covers the planning horizon of the strategic plan. The first year forms the basis for the operating plan which is reviewed on a six monthly basis. The later years are flexed once the year one basis is agreed. Key assumptions in the forecasts include:

- Continued growth in the self-directed investment market
- Launch of the HL Savings product
- Continuing to invest in our digital capability
- Investment in the development of people

ASSESSMENT OF VIABILITY

The strategic plan provides long-term direction and will be re-evaluated on at least an annual basis. Although reflective of the Directors' best estimate of the future prospects of the business, it is tested in a series of robust downside financial scenarios as part of the Group's process to review the Internal Capital Adequacy Assessment Process (ICAAP), a regulatory requirement from the Financial Conduct Authority.

The ICAAP, required by the Financial Conduct Authority, is prepared to identify and quantify the Group's risks and level of capital which should be held to cover those risks. Various stress test scenarios are created by management and with Board level input based upon our principal risks and which represent "severe but plausible" circumstances that the Group could experience. Stress test scenarios include fluctuations in markets, increased competition and disruption to business.

The results of this stress testing showed that due to the stability, profitability and cash generation of the core business, the Group would be able to withstand the impact of these scenarios occurring over the period of the financial forecast by making adjustments to its operating plans within the normal course of business.

VIABILITY STATEMENT

Based on their assessment of prospects and viability above, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation, and meet its liabilities as they fall due, over the three year period ending 30 June 2019.

Going concern

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

Disclosure of information to auditor

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

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

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

Approved by and signed on behalf of the Board

Judith Matthews
Company Secretary
6 September 2016

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess a company's performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the Governance section of the Annual Report confirm that, to the best of their knowledge:

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

By order of the Board

Ian Gorham
Chief Executive
6 September 2016

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HARGREAVES LANSDOWN PLC

REPORT ON THE FINANCIAL STATEMENTS

OUR OPINION

In our opinion:

- Hargreaves Lansdown plc's Group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the parent company's affairs as at 30 June 2016 and of the Group's profit and the Group's and the parent company's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

WHAT WE HAVE AUDITED

The financial statements, included within the Report and Financial Statements (the "Annual Report"), comprise:

- the Consolidated and Parent Company Statements of Financial Position as at 30 June 2016;
- the Consolidated Income Statement and Consolidated Statement of Comprehensive Income for the year then ended;
- the Consolidated and Parent Company Statements of Cash Flows for the year then ended;
- the Consolidated and Parent Company Statements of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

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

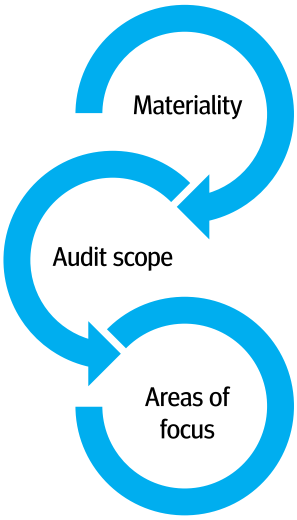
OUR AUDIT APPROACH

Overview

- Overall Group materiality: £10.9 million which represents 5% of profit before tax.

- The Group financial statements are a consolidation of 18 reporting units, nine of which are dormant.
- We perform a full scope audit of the complete financial information of two individually financially significant reporting units, which together represent 97% of the Group's profit before tax.
- Specific procedures were also performed on a further three reporting units to audit stockbroking settlement receivables and payables, cash and cash equivalents, shares held by the employee benefit trust (EBT) and the EBT reserve.

- Revenue recognition.



The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)").

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

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as "areas of focus" in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Area of focus	How our audit addressed the area of focus

REVENUE RECOGNITION (REFER TO THE AUDIT COMMITTEE REPORT, REVENUE RECOGNITION SECTION OF NOTE 2, AND NOTE 4)

We focus on revenue recognition because it is material and is an important determinant of the Group's profitability.

There are incentive schemes in place for Directors and staff which are in part based on the Group's revenue performance, and certain share schemes for senior management with earnings per share performance conditions. As in any organisation where there are incentives based on performance, there is an inherent risk of fraud in revenue recognition as there is an incentive to overstate revenue. Revenue may also be misstated due to errors in system calculations or manual processes.

We have assessed each revenue stream for the two in-scope reporting units and determined that there is a significant risk in each of the revenue streams. The risk is dependent upon the opportunity for errors to occur or for management to commit fraud. Our assessment of the risks for each revenue type is as follows:

Type of revenue	Description, including fraud risk factors
Asset and transaction based revenue streams calculated by the underlying administration system Renewal income Management fees on SIPP and ISAs Platform fees Stockbroking commission Other income	These revenue streams are either calculated based on the value of assets held or are based on activities undertaken by the customer, such as stockbroking or transferring assets to other platform providers. The value of securities and all customer activities is held in the underlying administration system which supports the Vantage and PMS platforms. The rates are derived from the standard rate tables or from agreements with fund groups. Unauthorised changes to, or errors in, these inputs could lead to misstatement of revenue.
Revenue streams manually calculated by management Management fees relating to Hargreaves Lansdown Multi-Manager funds Interest income on client money	Two in-scope revenue streams are manually calculated by management: the Multi-Manager fund Annual Management Charges (AMCs) and interest on client money. The AMCs are manually calculated by management based on the net asset value of funds provided by Northern Trust, an independent third party, and the published AMC rate. Gross interest on client money is calculated by management based on the deposit balance and the rate agreed with the bank. The interest recognised within revenue is net of a proportion of the gross interest which is due to customers. The interest due to customers is calculated by the underlying administration system based on rate tables and client cash balances. As a result, misstatement of revenue could arise from fraudulently manipulating manual calculations, spreadsheet errors or unauthorised changes to interest rates paid to customers.

ASSET AND TRANSACTION BASED REVENUE STREAMS

To address the risk identified in the asset and transaction based revenue streams calculated by the underlying administration system, we independently reperformed the calculation of 93% of the asset and transaction based revenue streams recognised in the two in-scope reporting units based on data extracted from the administration system.

In order to rely on the data extracted, we:

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

This testing provided sufficient evidence for us to determine that the data extracted was reliable for the purposes of performing the recalculations. We tested the inputs of our recalculations by agreeing standing data, such as fee structures, commission rates and security prices, to supporting evidence on a sample basis. No exceptions were noted from testing the standing data.

On the basis of this testing, we determined that it was appropriate for us to use the standing data in order to perform our independent recalculation of each of the revenue streams. We compared our independent recalculations to the amount reported and noted differences that, in our view, were trivial and required no further investigation.

We tested the remaining 7% of asset and transaction based revenue on a sample basis, agreeing each revenue item sampled back to supporting documentation. No exceptions were noted.

MANUALLY CALCULATED REVENUE STREAMS

Management fees relating to Hargreaves Lansdown Multi-Manager funds

We agreed 100% of the revenue through to cash received in bank statements and manually recalculated the management fees. We noted differences that, in our view, were trivial and required no further investigation.

Interest income on client money

On a sample basis we manually recalculated the gross interest earned on client money based on records maintained by management, and tested these records by agreeing a sample of deposits and interest rates to documentation received from the relevant bank.

Using data auditing techniques, we recalculated the amount of interest paid to clients using the daily cash balance as recorded in the underlying administration system, and standard rates. To rely on the cash data extracted from the system, we tested a sample of cash payments and receipts to supporting documentation and the cash balance at 30 June 2016 to client money reconciliations which we have tested. In addition, we agreed a sample of rates to those communicated to customers.

No exceptions were noted from our testing of cash movements, or testing of the rates communicated to customers and, on this basis, we determined that it was appropriate for us to use this data in order to perform our independent recalculation of interest paid to clients. We compared our independent recalculation of interest paid to clients to the amount reported and noted differences that, in our view, were trivial and required no further investigation.

ALL REVENUE STREAMS

As part of our testing described above, we ensured revenue was recognised in the correct period.

In addition, we performed risk based target testing of journals posted into the general ledger. This included identification of those journals posted to revenue which did not follow the expected posting pattern as this could be indicative of fraud or error. For those journals identified, we understood the nature of the journal and agreed the appropriateness of the journal with reference to supporting documentation. No exceptions were noted.

Finally we reviewed the revenue accounting policies disclosed in note 2 of the Group financial statements to ensure that they are consistent with accounting standards. No exceptions were noted.

HOW WE TAILORED THE AUDIT SCOPE

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group, the accounting processes and controls, and the industry in which the Group operates.

The Group financial statements are a consolidation of 18 separate legal entities. There are six main subsidiaries, two of which we consider to be financially significant reporting units and on which we performed an audit of their complete financial information. An entity was considered to be financially significant if it contributed more than 5% of consolidated profit before tax.

In addition, we determined that there were three entities which required an audit of specific account balances, being stockbroking settlement receivables and payables, cash and cash equivalents and shares held by the EBT and the EBT reserve.

All of the audit work was performed by the Group engagement team in the UK as all books and recorded were available at one location. The Group does not make use of a shared service centre.

MATERIALITY

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall Group materiality	£10.9 million (2015: £9.95 million).
How we determined it	5% of profit before tax.
Rationale for benchmark applied	As the Group is profit orientated, we have calculated materiality with reference to profit before tax.
Component materiality	For each component in our audit scope, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was £0.2 million - £9.8 million. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £540,000 (2015: £497,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

GOING CONCERN

Under the Listing Rules we are required to review the Directors' statement, set out on page 91, in relation to going concern. We have nothing to report having performed our review.

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to the Directors' statement about whether they considered it appropriate to adopt the going concern basis in preparing the financial statements. We have nothing material to add or to draw attention to.

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

OTHER REQUIRED REPORTING

CONSISTENCY OF OTHER INFORMATION

Companies Act 2006 opinions

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

ISAS (UK & IRELAND) REPORTING

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:	
• information in the Annual Report is: ◦ materially inconsistent with the information in the audited financial statements; or ◦ apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group and parent company acquired in the course of performing our audit; or ◦ otherwise misleading.	We have no exceptions to report.
• the statement given by the Directors on page 92, in accordance with provision C.1.1 of the UK Corporate Governance Code (the "Code"), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's and parent company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and parent company acquired in the course of performing our audit.	We have no exceptions to report.
• the section of the Annual Report on page 60, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.	We have no exceptions to report.

THE DIRECTORS' ASSESSMENT OF THE PROSPECTS OF THE GROUP AND OF THE PRINCIPAL RISKS THAT WOULD THREATEN THE SOLVENCY OR LIQUIDITY OF THE GROUP

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:	
• the Directors' confirmation on page 36 of the Annual Report, in accordance with provision C.2.1 of the Code, that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.	We have nothing material to add or to draw attention to.
• the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.	We have nothing material to add or to draw attention to.
• the Directors' explanation on page 91 of the Annual Report, in accordance with provision C.2.2 of the Code, as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.	We have nothing material to add or to draw attention to.
Under the Listing Rules we are required to review the Directors' statement that they have carried out a robust assessment of the principal risks facing the Group and the Directors' statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit. We have nothing to report having performed our review.	

ADEQUACY OF ACCOUNTING RECORDS AND INFORMATION AND EXPLANATIONS RECEIVED

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

DIRECTORS' REMUNERATION

Directors' remuneration report - Companies Act 2006 opinion
In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

Corporate governance statement
Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to ten further provisions of the Code. We have nothing to report having performed our review.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

OUR RESPONSIBILITIES AND THOSE OF THE DIRECTORS

As explained more fully in the Statement of Directors' responsibilities set out on page 92, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

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

WHAT AN AUDIT OF FINANCIAL STATEMENTS INVOLVES

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

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

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

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

Alex Bertolotti (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors
London

6 September 2016

- The maintenance and integrity of the Hargreaves Lansdown plc website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

03

FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT
for the year ended 30 June 2016

	Note	Year ended 30 June 2016 £'000	Year ended 30 June 2015 £'000
Revenue	4	**388,333**	395,137
Commission payable		**(61,797)**	(100,949)
Net revenue		**326,536**	294,188
Staff costs	7	**(60,217)**	(53,117)
Other operating costs		**(42,575)**	(38,603)
FSCS costs		**(5,494)**	(4,417)
Operating profit	6	**218,250**	198,051
Investment revenue	8	**629**	987
Profit before tax		**218,879**	199,038
Tax	9	**(41,623)**	(41,789)
Profit for the financial year		**177,256**	157,249
Attributable to:			
Owners of the parent		**176,895**	156,664
Non-controlling interest		**361**	585
		177,256	157,249
Earnings per share			
Basic earnings per share (pence)	11	**37.4**	33.2
Diluted earnings per share (pence)	11	**37.3**	33.1

The results relate entirely to continuing operations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2016

	Year ended 30 June 2016 £'000	Year ended 30 June 2015 £'000
Profit for the financial year	**177,256**	157,249
Total comprehensive income for the financial year	**177,256**	157,249
Attributable to:		
Owners of the parent	**176,895**	156,664
Non-controlling interest	**361**	585
	177,256	157,249

‹ BACK TO CONTENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June 2016

	Attributable to the owners of the parent								
	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Shares held by EBT reserve £'000	EBT reserve £'000	Retained earnings £'000	**Total £'000**	Non-controlling interest £'000	**Total equity £'000**
At 1 July 2014	1,897	8	12	(16,221)	13,545	228,512	**227,753**	591	**228,344**
Total comprehensive income	-	-	-	-	-	156,664	**156,664**	585	**157,249**
Change to non-controlling interest (Note 27)	-	-	-	-	-	(964)	**(964)**	(103)	**(1,067)**
Employee Benefit Trust:									
Shares sold in the year	-	-	-	5,203	-	-	**5,203**	-	**5,203**
Shares acquired in the year	-	-	-	(2,000)	-	-	**(2,000)**	-	**(2,000)**
EBT share sale	-	-	-	-	(841)	-	**(841)**	-	**(841)**
Employee share option scheme:									
Share-based payments expense	-	-	-	-	-	2,109	**2,109**	-	**2,109**
Current tax effect of share-based payments	-	-	-	-	-	1,305	**1,305**	-	**1,305**
Deferred tax effect of share-based payments	-	-	-	-	-	(592)	**(592)**	-	**(592)**
Dividend paid (Note 10)	-	-	-	-	-	(152,071)	**(152,071)**	(572)	**(152,643)**
At 30 June 2015	1,897	8	12	(13,018)	12,704	234,963	**236,566**	501	**237,067**
Total comprehensive income	-	-	-	-	-	176,895	**176,895**	361	**177,256**
Employee Benefit Trust:									
Shares sold in the year	-	-	-	14,095	-	-	**14,095**	-	**14,095**
Shares acquired in the year	-	-	-	(15,927)	-	-	**(15,927)**	-	**(15,927)**
EBT share sale	-	-	-	-	(3,441)	-	**(3,441)**	-	**(3,441)**
Reserve transfer on exercise of share options	-	-	-	-	2,736	(2,736)	**-**	-	**-**
Employee share option scheme:									
Share-based payments expense	-	-	-	-	-	2,525	**2,525**	-	**2,525**
Current tax effect of share-based payments	-	-	-	-	-	3,122	3,122	-	**3,122**
Deferred tax effect of share-based payments	-	-	-	-	-	(1,955)	**(1,955)**	-	**(1,955)**
Dividend paid (Note 10)	-	-	-	-	-	(158,182)	**(158,182)**	(396)	**(158,578)**
At 30 June 2016	1,897	8	12	(14,850)	11,999	254,632	**253,698**	466	**254,164**

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

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

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

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2016

	Note	At 30 June 2016 £'000	At 30 June 2015 £'000
ASSETS			
Non-current assets			
Goodwill	12	**1,333**	1,333
Other intangible assets	13	**7,050**	4,614
Property, plant and equipment	14	**10,987**	11,990
Deferred tax assets	19	**2,775**	6,118
		22,145	24,055
Current assets			
Trade and other receivables	17	**617,013**	411,705
Cash and cash equivalents	18	**211,393**	216,753
Investments	16	**994**	909
Current tax assets		**33**	-
		829,433	629,367
Total assets		**851,578**	653,422
LIABILITIES			
Current liabilities			
Trade and other payables	20	**581,685**	397,262
Current tax liabilities		**15,242**	18,861
		596,927	416,123
Net current assets		**232,506**	213,244
Non-current liabilities			
Provisions	21	**487**	232
Total liabilities		**597,414**	416,356
Net assets		**254,164**	237,067
EQUITY			
Share capital	22	**1,897**	1,897
Share premium account		**8**	8
Investment revaluation reserve		**-**	-
Capital redemption reserve		**12**	12
Shares held by Employee Benefit Trust reserve		**(14,850)**	(13,018)
EBT reserve		**11,999**	12,704
Retained earnings		**254,632**	234,963
Total equity, attributable to the owners of the parent		**253,698**	236,566
Non-controlling interest		**466**	501
Total equity		**254,164**	237,067

The consolidated financial statements on pages 100 to 132 were approved by the Board of Directors and authorised for issue on 6 September 2016 and were signed on its behalf by:

Ian Gorham

Chief Executive

Christopher Hill

Chief Financial Officer

‹ BACK TO CONTENTS

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 30 June 2016

	Note	Year ended 30 June 2016 £'000	Year ended 30 June 2015 £'000
Net cash from operating activities			
Cash generated from operations	23	**205,360**	212,991
Income tax paid		**(40,766)**	(41,603)
Net cash generated from operating activities		**164,594**	171,388
Investing activities			
Interest received		**458**	896
Dividends received from investments		**171**	91
Purchase of property, plant and equipment		**(2,534)**	(2,590)
Purchase of intangible assets		**(4,114)**	(2,887)
Purchase of available-for-sale investments		**(85)**	(35)
Net cash used in investing activities		**(6,104)**	(4,525)
Financing activities			
Purchase of own shares in EBT		**(15,927)**	(2,000)
Proceeds on sale of own shares in EBT		**10,655**	4,362
Dividends paid to owners of the parent		**(158,182)**	(152,071)
Dividends paid to non-controlling interests		**(396)**	(572)
Purchase of non-controlling interest in subsidiary		**-**	(1,067)
Net cash used in financing activities		**(163,850)**	(151,348)
Net (decrease)/increase in cash and cash equivalents		**(5,360)**	15,515
Cash and cash equivalents at beginning of year		**216,753**	201,238
Cash and cash equivalents at end of year	18	**211,393**	216,753

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

These financial statements are presented in pounds sterling which is the currency of the primary economic environment in which the Group operates and are rounded to the nearest thousand.

Basis of preparation
The consolidated financial statements of Hargreaves Lansdown plc have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretation Committee (IFRS IC) interpretations as adopted by the European Union (EU), and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements are prepared on a going concern basis as discussed on page 91.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

During the year the following changes to the basis of preparation have been made:
1. Revenue and Commission Payable have been subtotalled on the face of the Consolidated Income Statement to present 'Net Revenue'. This is to improve the understandability of the financial statements as a whole.
2. The 2015 'Purchase of non-controlling interest in subsidiary' in the Consolidated Statement of Cash Flows has been reclassified from investing activities to financing activities as this better reflects the nature of the cash flow.

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

- Annual improvements to IFRS 2010-2012 and 2011-2013 cycle:
  - Amendments to IFRS 2 'Share Based Payments', which clarifies the definition of 'vesting condition' and now distinguishes between 'performance condition' and 'service condition'.
  - Amendments to IFRS 8, 'Operating Segments', which requires disclosure of the judgements made by management in applying aggregation criteria to operating segments and clarifies that an entity shall only provide reconciliations of segment assets if segment assets are reported regularly.
  - Amendments to IFRS 13, 'Fair Value Measurement', which clarifies that short-term receivables and payables may continue to be measured at invoice amounts if the impact of discounting is immaterial.
  - Amendments to IAS 24, 'Related Party Disclosures', which clarifies that an entity providing key management personnel services to the reporting entity is a related party of the reporting entity.
- Amendment to IAS 19, 'Defined Benefit Plans: Employee Contributions'

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

- IFRS 9 'Financial instruments'
- IFRS 15 'Revenue from contracts with customers'
- Amendments to IFRS 11 'Joint arrangements'
- Amendments to IAS 16 'Property, plant and equipment'
- Amendments to IAS 38 'Intangible assets'
- Annual improvements to IFRS 2012 - 2014 cycle
- Amendments to IFRS 10 'Consolidated financial statements'
- Amendments to IFRS 12 'Disclosure of interests in other entities'
- Amendments to IAS 28 (revised 2011) 'Investments in associates and joint ventures'
- Amendments to IAS 27 (revised 2011) 'Separate financial statements'
- Amendments to IAS 1 'Presentation of Financial Statements'

The Directors are currently investigating whether the adoption of these standards and interpretations will have a material impact on the financial statements of the Group in future periods.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and subsidiary undertakings (investees) controlled by the Group made up to 30 June 2016. The Group controls an investee when it has power over an investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group reassesses whether it controls an investee when facts and circumstances indicate that there are changes to one or more elements of control.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 "Business Combinations" are recognised at their fair value at the acquisition date.

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

Goodwill

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

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

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts, VAT and other sales-related taxes. Revenue is primarily classified as recurring, transactional or other. Recurring revenue principally comprises the revenue streams of renewal income, management fees, platform fees and interest income on client money, while transactional revenue principally comprises initial commission on stockbroking transactions. Revenue is recognised as follows:

Recurring

Renewal income is earned from fund management groups and is recognised on an accruals basis calculated according to the level of assets under the administration, or agency, of the Group primarily at each month-end. As from 1 April 2016 any renewal income received from fund management groups was passed entirely to the clients meaning that both the income and the costs were no longer recognised. Prior to 1 April 2016, renewal income that was earned from fund managers on legacy business was recognised where Hargreaves Lansdown had complete discretion over amounts that were passed on to clients. Management and platform fees are paid by clients and are recognised on an accruals basis calculated according to the level of applicable assets where fees apply at each month-end. The interest income on client money balances is the net interest margin earned by the Group and is accrued on a time basis, according to the client money balances under administration and by reference to the effective interest rate applicable

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Transactional

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

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

Adviser charges are made to clients for initial advice in setting them up in either the Portfolio Management Service or as a Vantage execution only client and for adhoc advice on specific financial matters. The charges are recorded in the accounts at the date the advice was given or at the date that assets relating to the advice are recorded on the platform.

Other

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

Investment revenue recognition

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

Commission payable, staff costs and other operating costs

Commission payable represents a percentage of renewal income paid to clients as a loyalty bonus. As from 1 April 2016 any renewal income received from fund management groups was passed entirely to the clients meaning that both the income and the costs were no longer recognised. Prior to 1 April 2016, commission in relation to legacy business was recognised as a commission payable where Hargreaves Lansdown had complete discretion over the amount of commission that was passed on to clients. Staff costs represent amounts paid to employees in respect of services provided in the year including wages and salaries, share-based payment expenses, bonuses, payments to a defined contribution retirement benefit scheme and related social security costs. Other operating costs represent those arising as a result of our operations and include depreciation and amortisation. All amounts are recognised on an accrual basis. FSCS costs are those relating to the running of and the levies issued under the Financial Services Compensation Scheme and are recognised in accordance with IFRIC 21. The levy is therefore accrued for in full on 1 April each year, being the first day of the year to which the levy relates.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Provisions are recognised for:

- future committed property lease payments when the Group receives no benefit from the property through continuing usage and future receipts from any sub-letting arrangements are not in excess of the Group's future committed payments.
- commissions received on indemnity terms where there may be a liability to repay the commissions received.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Share-based payments

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions. At each balance sheet date, the Group revises its estimate of the number of options expected to vest as a result of the effect of non-market based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in the income statement such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

Fair value is measured by use of the Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. Prior to 15 May 2007 the Company's shares were not listed on a stock exchange and therefore, in the absence of a readily available market price for the shares, the share price was based on the market value agreed with HM Revenue & Customs and share price volatility was estimated as the average of the volatility applying to a comparable group of listed companies.

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

Property, plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is charged on all plant and equipment based on the estimates of their useful economic lives and expected residual values, which are reviewed annually. Management determines the useful lives and residual values for assets when they are acquired, based on experience with similar assets and taking into account other relevant factors such as any expected changes in technology. The charge is calculated to write off the cost or valuation, less estimated residual value, of each asset evenly using a straight-line method over its estimated useful life as follows:

Fixtures, fittings, plant and equipment:

Computer hardware – over three to ten years

Office equipment (which includes leasehold property tenants' fixtures and other fixtures) - over three to ten years

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Leasing

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

Intangible assets excluding goodwill

Other intangible assets comprise computer software, customer lists and the Group's key operating system which are stated at cost less amortisation and any recognised impairment loss. Amortisation is provided, where material, on all intangible assets excluding goodwill at rates calculated to write off the cost or valuation, less estimated residual value, of each asset evenly using a straight-line method over its estimated useful life as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Computer software - over three to eight years
Customer list – eight years

Computer software relates entirely to purchases and does not include any internally generated value. The carrying values of computer software are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

The customer list relates to an acquired book of business and does not include internally generated client lists. The carrying value of the asset is reviewed for impairment every 12 months, or when events or changes in circumstances indicate that the carrying value may not be recoverable.

Internally generated assets

Core systems upgrades

IT development costs are capitalised only to the extent that they lead to the creation of an enduring asset, which delivers benefits at least as great as the amount capitalised and in accordance with the recognition criteria of IAS 38 "Intangible assets". Development work has been undertaken in-house by IT staff and management to enhance the key operating systems. Until 1 July 2012 this cost was not material and was recognised as an expense, the amounts since then have been more material and have been part of a planned multi-year strategic enhancement project. In accordance with the provisions of IAS 38 the costs are now being capitalised as an intangible asset and subsequently amortised over the estimated useful life of the system of eight years. This key operating system is fundamental to the operation of the Vantage platform which holds client assets enabling revenue to be earned. Where such costs relate to an asset that is not yet available for use by the business, they have been separately classified as assets under construction and have not been amortised, but instead been reviewed for impairment.

Hargreaves Lansdown Savings

In-house development work has also been undertaken in Hargreaves Lansdown Savings Limited to develop a digital cash savings product and a Peer to Peer lending platform. Following last year's research phase which established demand and the feasibility for these services a business plan was drawn which formed part of the strategic initiatives approved by the Board. Development commenced in the year to 30 June 2016 and the Group is committed to the completion and launch of the services in the next financial year and will provide the financial resources required to see it through to expected profitability. In accordance with IAS 38 the development costs are being capitalised and are recognised initially at cost. Internal policies exist to identify intangible assets that can be capitalised and in the case of internally generated assets a process of time sheets for IT developers and management time is used to identify the initial costs to be capitalised. Where IT development costs relate to an asset that is now used amortisation is charged to the consolidated income statement on a straight-line basis over the expected useful life of eight years.

Impairment of tangible and intangible assets excluding goodwill

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

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Dividend recognition

Dividend distributions to the Company's shareholders are recognised in the accounting period in which the dividends are declared and paid, or, if earlier, in the accounting period when the dividend is approved by the Company's shareholders at the Annual General Meeting.

Financial instruments

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

Trade receivables

Trade receivables are measured at amortised cost using the effective interest method. Appropriate allowances for estimated irrecoverable amounts are made and recognised in profit or loss when there is objective evidence that the asset is impaired. In accordance with market practice, certain balances with clients, Stock Exchange member firms and other counterparties are included as debtors. Market receivables and payables are presented net where there is a legal right of offset and an intention and ability to settle net.

Investments

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

The Group's available-for-sale investments have been included at fair value where a fair value can be reliably calculated, with the revaluation gains and losses reflected in the investment revaluation reserve, as shown in the Consolidated Statement of Changes in Equity on page 101, until sale when the cumulative gain or loss is transferred to the income statement. If a fair value cannot be reliably calculated by reference to a quoted market price or other method of valuation, available-for-sale investments are included at cost.

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits that are readily convertible to a known amount of cash. They are recognised as loans and receivables which means they are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method. The carrying amount of these assets is approximately equal to their fair value.

Financial liabilities and equity

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

Trade payables

Trade payables are measured at amortised cost using the effective interest method. In accordance with market practice, certain balances with clients, Stock Exchange member firms and other counterparties are included as creditors. Market debtors and creditors are presented net where there is a legal right of offset and an intention and ability to settle net.

Interests in other entities

The Group has determined that investment funds that it manages are structured entities. Structured entities include entities that are designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when the relevant activities are directed by means of a contractual relationship. As the Group directs the investing activities of the ten Hargreaves Lansdown Multi-Manager funds through its investment management agreements with them, it considers them to be structured entities. The Group holds interests in these funds through the receipt of management fees, together with ownership interests that it holds. Investments in the funds have been designated at fair value through profit or loss (FVTPL).

3. KEY SOURCES OF JUDGEMENTS AND ESTIMATION UNCERTAINTY

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities. If in the future such estimates and assumptions, which are based on management's best judgement at the date of preparation of the financial statements, deviate from actual circumstances, the original estimates and assumptions will be modified as appropriate in the period in which the circumstances change. The areas where a higher degree of judgement or complexity arise, or areas where assumptions and estimates are significant to the consolidated financial statements, are minimal and discussed below.

Share-based payments

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Internally generated intangible assets
The Group is making a significant investment in the development of the HL Savings proposition. Given the expected long-term economic benefit that this is expected to bring, development costs incurred are being capitalised. The Group has reviewed and approved the policy for capitalising such intangible assets and ensuring they are in accordance with IAS 38. As a result although future economic benefit cannot be guaranteed £1.1million of development costs incurred since 1 July 2015 have been capitalised.

4. REVENUE

Revenue represents commission receivable from financial services provided to clients, interest income on client money and management fees charged to clients. It relates to services provided in the UK and is stated net of value added tax. An analysis of the Group's revenue is as follows:

	Year ended 30 June 2016 £'000	Year ended 30 June 2015 £'000
Revenue from services:		
Recurring income	**317,089**	329,900
Transactional income	**65,035**	58,816
Other income	**6,209**	6,421
Total revenue	**388,333**	395,137

Recurring income comprises renewal income (2016: £76.9m, 2015: £121.1m), management fees relating to the PMS Service and Vantage SIPP and ISA accounts (2016: £25.5m, 2015: £24.2m), management fees relating to the Hargreaves Lansdown Multi-Manager Funds (2016: £44.1m, 2015: £36.5m), platform fees (2016: £139.4m, 2015: £123.8m) and interest income on client money (2016: £31.2m, 2015: £24.3m). Transactional income comprises commission earned from stockbroking transactions (2016: £46.8m, 2015: £39.3m), adviser charges (2016: £10.5m, 2015: £9.7m) and other income (2016: £7.7m, 2015: £9.8m). Other income represents the amount of fees receivable from the provision of funds data services and research through Library Information Services Ltd to external parties. The policies adopted for the recognition of each significant revenue stream are set out in Note 2 above.

Following the implementation of the Retail Distribution Review ("RDR") on 1 March 2014, total revenue earned from investment funds held by clients significantly increased as a new platform fee was introduced. At the same time commission income is being received from the fund management groups on funds purchased by clients before the RDR implementation date. Where we still receive commission on these pre RDR or "legacy funds" the vast majority is now passed back to our clients in the form of a significantly higher loyalty bonus which is shown within commission payable in the income statement. From 1 April 2016 any renewal income received from fund management groups relating to legacy funds was passed back entirely to the client. This commission was therefore no longer recorded as a revenue and the loyalty payment to clients was no longer recorded as a cost. In order to aid comparability across this transitional period the measure of net revenue is felt to be more meaningful and hence has been used in the Operating and Financial review section and is shown in the income statement. Net revenue is measured as revenue less commission payable.

5. SEGMENT INFORMATION

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

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

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

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

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

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

Segment assets and liabilities include items that are directly attributable to a segment plus an allocation on a reasonable basis of shared items. Corporate assets and liabilities are not included in business segments and are thus unallocated. At 30 June 2016 and 2015, these comprise cash and cash equivalents, short-term investments, tax-related and other assets or liabilities.

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

	Vantage £'000	Discretionary/ Managed £'000	Third Party/ Other Services £'000	Group £'000	Consolidation Adjustment £'000	**Consolidated £'000**
Year ended 30 June 2016						
Revenue from external customers	307,522	58,956	21,855	-	-	**388,333**
Commission payable	(61,702)	(27)	(68)	-	-	**(61,797)**
Total segment net revenue	245,820	58,929	21,787	-	-	**326,536**
Depreciation and amortisation	4,143	376	697	-	-	**5,216**
Investment revenue	-	-	-	629	-	**629**
Reportable segment profit before tax	166,373	45,348	7,613	(455)	-	**218,879**
Reportable segment assets	614,314	31,336	6,156	239,426	(39,654)	**851,578**
Reportable segment liabilities	(571,409)	(26,550)	(548)	(38,561)	39,654	**(597,414)**
Net segment assets	42,905	4,786	5,608	200,865	-	**254,164**
Year ended 30 June 2015						
Revenue from external customers	320,849	52,451	21,837	-	-	**395,137**
Commission payable	(100,879)	(15)	(55)	-	-	**(100,949)**
Total segment net revenue	219,970	52,436	21,782	-	-	**294,188**
Depreciation and amortisation	3,537	355	488	-	-	**4,380**
Investment revenue	-	-	-	987	-	**987**
Reportable segment profit before tax	147,463	39,855	11,516	204	-	**199,038**
Reportable segment assets	398,582	35,022	13,159	247,229	(40,570)	**653,422**
Reportable segment liabilities	(387,092)	(24,966)	(409)	(44,458)	40,570	**(416,355)**
Net segment assets	11,490	10,056	12,750	202,771	-	**237,067**

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. OPERATING PROFIT

Operating profit has been arrived at after charging:

	Year ended 30 June 2016 £'000	Year ended 30 June 2015 £'000
Depreciation of owned plant and equipment	**3,537**	3,279
Amortisation of other intangible assets	**1,678**	1,101
Operating lease rentals payable – property	**2,440**	2,433
Office running costs	**4,809**	4,253
Marketing and distribution	**11,215**	12,737

The analysis of auditors' remuneration is as follows:

	Year ended 30 June 2016 £'000	Year ended 30 June 2015 £'000
Audit fees:		
Fees payable to the Company's auditors for the statutory audit of the Company's annual financial statements	**9**	5
Fees payable to the Company's auditors and its associates for the audits of the Company's associates	**122**	105
Audit related assurance services	**153**	110
Total fees:	**284**	220*

* An additional £5,000 of fees were incurred relating to a subsidiary company which was audited after the finalisation of the consolidated financial statements.

7. STAFF COSTS

	Year ended 30 June 2016	Year ended 30 June 2015
The average monthly number of employees of the Group (including executive Directors) was:	**No.**	No.
Operating and support functions	**660**	638
Administrative functions	**309**	272
	969	910
Their aggregate remuneration comprised:	**£'000**	£'000
Wages and salaries	**47,007**	41,630
Social security costs	**5,874**	4,949
Share-based payment expenses	**2,525**	2,109
Other pension costs	**4,812**	4,429
	60,217	53,117

The staff costs above are after stripping out costs that have been capitalised under intangible assets as assets under construction. In total £1,987,000 of wages and salaries (2015: £1,009,000), social security costs of £220,000 (2015: £117,000) and pension costs of £86,000 (2015: £75,000) were capitalised.

The Group aims to attract, motivate and retain high calibre employees by rewarding them with competitive salary and benefit packages, which may be linked to the creation of long-term shareholder value. Salary ranges are established by reference to those prevailing in the employment market generally for employees of comparable status, responsibility and skills. All employees are eligible to be considered for an annual discretionary bonus. In addition to cash bonuses, the Group operates various share-based remuneration schemes as described in Note 25. Other pension costs relate wholly to defined contribution schemes.

8. INVESTMENT REVENUE

	Year ended 30 June 2016 £'000	Year ended 30 June 2015 £'000
Interest on bank deposits	**458**	896
Dividends from equity investment	**171**	91
	629	987

9. TAX

	Year ended 30 June 2016 £'000	Year ended 30 June 2015 £'000
Current tax: on profits for the year	**40,771**	41,749
Current tax: adjustments in respect of prior years	**(536)**	-
Deferred tax (Note 19)	**231**	41
Deferred tax: adjustments in respect of prior years (Note 19)	**1,157**	(1)
	41,623	41,789

Corporation tax is calculated at 20% of the estimated assessable profit for the year to 30 June 2016 (2015: 20.75%).

In addition to the amount charged to the income statement, certain tax amounts have been charged or (credited) directly to equity as follows:

	Year ended 30 June 2016 £'000	Year ended 30 June 2015 £'000
Deferred tax relating to share-based payments	**1,955**	592
Current tax relating to share-based payments	**(3,122)**	(1,305)
	(1,167)	(713)

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 20% (from 21%) on 1 April 2015 and accordingly the Group's profits for this accounting year are taxed at an effective rate of 20.0%. Deferred tax has been recognised at 20%, being the rate at which the deferred tax assets are expected to reverse. 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 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Factors affecting future tax charge

Any increase or decrease to the Company's share price will impact the amount of tax deduction available in future years on the value of shares acquired by staff under share incentive schemes. The Finance Act 2015 received Royal Assent 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% has yet to be substantively enacted.

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

	Year ended 30 June 2016 £'000	Year ended 30 June 2015 £'000
Profit before tax	**218,879**	199,038
Tax at the standard UK corporate tax rate of 20.00% (2015: 20.75%)	**43,776**	41,302
Items (allowable)/not allowable for tax	**(2,774)**	424
Adjustments in respect of prior years	**621**	(1)
Impact of the change in tax rate	**-**	64
Tax expense for the year	**41,623**	41,789
Effective tax rate	**19.0%**	21.0%

10. DIVIDENDS

Amounts recognised as distributions to equity holders in the year:

	Year ended 30 June 2016 £'000	Year ended 30 June 2015 £'000
2015 Second interim dividend of 14.30p (2014: 15.39p) per share	**67,515**	72,449
2015 Special dividend of 11.40p (2014: 9.61p) per share	**53,850**	45,248
2016 First interim dividend of 7.80p (2015: 7.30p) per share	**36,817**	34,374
Total dividends paid during the year	**158,182**	152,071

After the balance sheet date, the Directors declared a second interim (final) ordinary dividend of 16.30 pence per share and a special dividend of 9.90 pence per share payable on 28 September 2016 to shareholders on the register on 16 September 2016. 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 2017 financial statements as follows:

	£'000
2016 Second interim dividend of 16.30p (2015: 14.30p) per share	77,036
2016 Special dividend of 9.90p (2015: 11.40p) per share	46,789
2016 Total declared dividend of 34.0p (2015: 33.0p) per share	160,642

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 2016 No. of shares	Year ended 30 June 2015 No. of shares
Number of shares held by the Hargreaves Lansdown Employee Benefit Trust	**1,724,330**	2,726,361
Representing % of called-up share capital	**0.36%**	0.57%

11. EARNINGS PER SHARE (EPS)

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

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

The weighted average number of anti-dilutive share options and awards excluded from the calculation of diluted earnings per share was 1,285,073 at 30 June 2016 (2015: 1,010,928).

	Year ended 30 June 2016 £'000	Year ended 30 June 2015 £'000
Earnings (all from continuing operations):		
Earnings for the purposes of basic & diluted EPS - net profit attributable to equity holders of parent company	**176,895**	156,664
Number of shares:		
Weighted average number of ordinary shares for the purposes of diluted EPS	**474,720,091**	473,716,102
Weighted average number of shares held by HL EBT which have not vested unconditionally with employees	**(1,818,222)**	(2,068,619)
Weighted average number of ordinary shares for the purposes of basic EPS	**472,901,869**	471,647,483
Earnings per share:	**Pence**	Pence
Basic EPS	**37.4**	33.2
Diluted EPS	**37.3**	33.1

12. GOODWILL

	Year ended 30 June 2016 £'000	Year ended 30 June 2015 £'000
Cost - at beginning and end of year	**1,450**	1,450
Accumulated impairment losses		
At beginning and end of year	**117**	117
Carrying amount - at end of year	**1,333**	1,333

The net carrying value of goodwill relates entirely to the acquisition of Hargreaves Lansdown Pensions Direct Limited (HLPD) now named Hargreaves Lansdown Advisory Services Limited (HLAS).

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. The Group has prepared financial forecasts for the business for the period to June 2019 which show that the Group as a whole will remain highly profitable and cash generative. Within the forecast, the revenue streams which belong to HLAS, although lower than before the restructuring, are forecast to grow with the Company continuing to be profitable. HLAS is profit-making (profit before tax for year ended 30 June 2016 was £1.9 million) and has a net assets position as at 30 June 2016 of £ 9.6 million, and as a result there are no factors indicating goodwill is impaired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. OTHER INTANGIBLE ASSETS

	Customer list £'000	Assets under construction £'000	Computer software £'000	Total £'000
Cost				
At 1 July 2014	-	1,294	4,489	5,783
Additions	-	1,201	1,686	2,887
At 30 June 2015	-	2,495	6,175	8,670
Additions	399	2,292	1,423	4,114
At 30 June 2016	399	4,787	7,598	12,784
Accumulated amortisation				
At 1 July 2014	-	-	2,955	2,955
Charge	-	131	970	1,101
At 30 June 2015	-	131	3,925	4,056
Charge	-	370	1,308	1,678
At 30 June 2016	-	501	5,233	5,734
Carrying amount				
At 30 June 2016	399	4,286	2,365	7,050
At 30 June 2015	-	2,364	2,250	4,614
At 1 July 2014	-	1,294	1,534	2,828

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

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

Assets under construction are primarily internally generated being IT development staff working on an upgrade of the core IT platform for the business, and IT development staff working on the development of a new IT platform for a digital cash deposit and peer to peer lending services. The upgrade of the core IT platform is an ongoing project and whilst the system is still being developed to allow it to handle current transactions, tranches of archived information have been transferred across to the new system and therefore amortisation has started despite development work being ongoing. The remaining period of amortisation for this is asset is therefore between seven and eight years. The development of the new IT platform is not yet complete and so amortisation of the asset has not begun. This asset will be amortised over a period of eight years.

Computer software includes no internally generated value.

14. PROPERTY, PLANT AND EQUIPMENT

Fixtures, fittings, plant and equipment:

	Computer Hardware £'000	Office Equipment £'000	Total £'000
Cost			
At 1 July 2014	18,108	6,026	24,134
Additions	2,534	56	2,590
At 30 June 2015	20,642	6,082	26,724
Additions	2,380	154	2,534
At 30 June 2016	23,022	6,236	29,258
Accumulated depreciation			
At 1 July 2014	8,589	2,866	11,455
Charge	2,702	577	3,279
At 30 June 2015	11,291	3,443	14,734
Charge	2,947	590	3,537
At 30 June 2016	14,238	4,033	18,271
Carrying amount			
At 30 June 2016	8,784	2,203	10,987
At 30 June 2015	9,351	2,639	11,990
At 1 July 2014	9,519	3,160	12,679

15. SUBSIDIARIES

A list of the investments in subsidiaries included in the consolidated results of Hargreaves Lansdown plc is shown in Note 4 to the parent company financial statements. One of the subsidiaries is Hargreaves Lansdown Savings Ltd (formerly a dormant company called Hargreaves Lansdown IT & Admin Services). It became active in the prior year and is the Company through which the new cash management services referred to on page 6 are currently being developed. Also included in the Group Consolidated Financial Statements are "The Hargreaves Lansdown Employee Benefit Trust", "The Hargreaves Lansdown Plc SIP Trust" and the Share Incentive Plan.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. INVESTMENTS

	Year ended 30 June 2016 £'000	Year ended 30 June 2015 £'000
At beginning of year	**909**	874
Purchases	**85**	35
At end of year	**994**	909
Comprising:		
Current asset investment - UK listed securities valued at quoted market price	**730**	645
Current asset investment - Unlisted securities valued at cost	**264**	264

£730,000 (2015: £645,000) of investments are classified as held at fair value through profit and loss and £264,000 (2015: £264,000) are classified as available-for-sale. Available-for-sale investments have been included at fair value where a fair value can be reliably calculated, with the revaluation gains and losses reflected in the investment revaluation reserve as shown in the Consolidated Statement of Changes in Equity, until sale when the cumulative gain or loss is transferred to the income statement. If a fair value cannot be reliably calculated by reference to a quoted market price or other method of valuation, available-for-sale investments are included at cost, with a fair value adjustment recognised upon disposal of the investment.

17. TRADE AND OTHER RECEIVABLES

	Year ended 30 June 2016 £'000	Year ended 30 June 2015 £'000
Financial assets:		
Trade receivables	**576,402**	380,803
Other receivables	**559**	1,460
	576,961	382,263
Non-financial assets:		
Prepayments and accrued income	**40,052**	29,442
	617,013	411,705

Trade and other receivables are measured at initial recognition at fair value. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. In accordance with market practice, certain balances with clients, Stock Exchange member firms and other counterparties totalling £560.9 million (2015: £363.2 million) are included in trade receivables. These balances are presented net where there is a legal right of offset and the ability and intention to settle net. The gross amount of trade receivables is £718.0 million and the gross amount offset in the balance sheet with trade payables is £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.

18. CASH AND CASH EQUIVALENTS

	Year ended 30 June 2016 £'000	Year ended 30 June 2015 £'000
Cash and cash equivalents:		
Restricted cash – balances held by EBT	**3,184**	7,602
Group cash and cash equivalent balances	**208,209**	209,151
	211,393	216,753

Cash and cash equivalents comprise cash on hand and demand deposits held by the Group that are readily convertible to a known amount of cash. The carrying amount of these assets is approximately equal to their fair value.

At 30 June 2016 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 £6,953 million (2015: £5,499 million). In addition there were currency service cash accounts held on behalf of clients not governed by the client money rules of £18 million (2015: £12m). The client retains the beneficial interest in both these deposits and cash accounts and accordingly they are not included in the balance sheet of the Group.

19. 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 20%, being the rate in force at the balance sheet date.

	Accelerated tax depreciation £'000	Share-based payments £'000	Other deductible temporary differences £'000	**Total £'000**
At 1 July 2014	145	5,240	1,365	**6,750**
Credit / (charge) to income	80	83	(203)	**(40)**
Charge to equity	-	(592)	-	**(592)**
At 30 June 2015	225	4,731	1,162	**6,118**
Charge to income	-	(259)	(1,129)	**(1,388)**
Charge to equity	-	(1,955)	-	**(1,955)**
At 30 June 2016	225	2,517	33	**2,775**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. TRADE AND OTHER PAYABLES

	Year ended 30 June 2016 £'000	Year ended 30 June 2015 £'000
Financial liabilities:		
Trade payables	**556,754**	362,808
Social security and other taxes	**7,404**	9,692
Other payables	**3,888**	12,176
	568,046	384,676
Non-financial liabilities:		
Accruals and deferred income	**13,639**	12,586
	581,685	397,262

In accordance with market practice, certain balances with clients, Stock Exchange member firms and other counterparties totalling £555.5 million (2015: £361.9 million) are included in trade payables. As stated in Note 17 above, where we have a legal right of offset and the ability and intention to settle net, trade payable balances have been presented net. The gross amount of trade payables is £712.6 million and the gross amount offset in the balance sheet with trade receivables is £157.2 million. 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.

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

21. PROVISIONS

	£'000
Included within non-current liabilities - Property costs	
At 1 July 2014	**247**
Utilised during the year	**(15)**
At 30 June 2015	**232**
Charged during the year	**255**
At 30 June 2016	**487**

The provision on property-related costs represents the Group's future committed lease payments on non-cancellable leases and other contractual obligations that arise on the surrendering of operating leases. These property provisions are not expected to be fully utilised until 2026.

22. SHARE CAPITAL

	Year ended 30 June 2016 £'000	Year ended 30 June 2015 £'000
Authorised:		
525,000,000 (2015: 525,000,000) ordinary shares of 0.4p each	**2,100**	2,100
Issued and fully paid:		
Ordinary shares of 0.4p each	**1,897**	1,897
	No. of shares	No. of shares
Issued and fully paid:		
Number of ordinary shares of 0.4p each	**474,318,625**	474,318,625

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

23. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 30 June 2016 £'000	Year ended 30 June 2015 £'000
Profit for the year after tax	**177,256**	157,249
Adjustments for:		
Investment revenues	**(629)**	(987)
Income tax expense	**41,623**	41,789
Depreciation of plant and equipment	**3,537**	3,279
Amortisation of intangible assets	**1,678**	1,101
Share-based payment expense	**2,525**	2,109
Increase/(decrease) in provisions	**255**	(47)
Operating cash flows before movements in working capital	**226,245**	204,493
Increase in receivables	**(205,308)**	(107,842)
Increase in payables	**184,423**	116,340
Cash generated from operations	**205,360**	212,991

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. COMMITMENTS

Operating lease commitments – as lessee

	Year ended 30 June 2016 £'000	Year ended 30 June 2015 £'000
Minimum lease payments under operating lease recognised as an expense in the year	**2,440**	2,433
At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under the remaining term of non-cancellable operating leases, which fall due as follows:		
Within one year	**2,835**	2,934
In the second to fifth years inclusive	**11,234**	11,260
After five years	**14,692**	17,500
Total minimum lease payments	**28,761**	31,694

Operating lease payments represent rentals payable by the Group for its office properties. The Group leases various offices under non-cancellable operating lease agreements. The leases have varying terms, escalation values and renewal rights.

Capital commitments
At the balance sheet date, the Group had capital commitments of £1,064,000 (2015: £1,567,000) for IT equipment.

25. SHARE-BASED PAYMENTS

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

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

Awards granted under the Employee SAYE scheme vest over three or five years. Awards granted under the Employee Share Incentive Plan vest over a three-year period. Awards granted under the Executive Option Scheme vest between nil and a maximum of ten years. Options are exercisable at a price equal to the market value of the Company's shares on the date of grant. There are currently no performance conditions attached to any options granted under any of the schemes, although options are forfeited (in most circumstances) if the employee leaves the Group before the options vest.

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

	Year ended 30 June 2016		Year ended 30 June 2015	
	Share options **No.**	Weighted average exercise price **Pence**	Share options **No.**	Weighted average exercise price **Pence**
SIP				
Outstanding at beginning of the year	52,500	23.5	58,387	23.5
Exercised during the year	(525)	23.5	(5,887)	23.5
Outstanding at the end of the year	**51,975**	23.5	**52,500**	23.5
Exercisable at the end of the year	51,975	23.5	52,500	23.5
SAYE				
Outstanding at beginning of the year	1,196,640	650.6	1,273,555	506.9
Granted during the year	228,955	1,013.6	366,104	958.0
Exercised during the year	(97,950)	473.3	(295,410)	270.5
Forfeited during the year	(80,301)	751.0	(147,609)	932.3
Outstanding at the end of the year	**1,247,344**	712.2	**1,196,640**	650.6
Exercisable at the end of the year	19,487	606.1	7,231	268.3
Executive Option Scheme				
Outstanding at beginning of the year	4,970,017	676.8	5,020,372	598.0
Granted during the year	1,540,174	1,162.4	1,195,665	971.8
Exercised during the year	(2,143,832)	475.3	(721,998)	491.1
Forfeited during the year	(177,065)	976.3	(524,022)	851.5
Outstanding at the end of the year	**4,189,294**	945.8	**4,970,017**	676.8
Exercisable at the end of the year	277,418	566.0	587,680	386.2

The weighted average market share price at the date of exercise for options exercised during the year was 1,297.65 pence (2015: 1,156.16 pence).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. SHARE-BASED PAYMENTS (CONTINUED)

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

	Year ended 30 June 2016		Year ended 30 June 2015	
	Share options **No.**	Weighted average expected remaining life	Share options **No.**	Weighted average expected remaining life
Options exercise price range (pence)				
0.0	39,300	0.4 years	-	0 years
23.5	51,975	0 years	52,500	0 years
195.4	33,015	0 years	113,540	0 years
268.3	-	0 years	7,231	0 years
347.2	-	0 years	82,780	0 years
365.0	528,114	0.7 years	560,999	1.7 years
388.8	98,903	0 years	953,289	0.2 years
447.6	-	0 years	400,000	0 years
451.9	514,015	0.2 years	600,798	1.2 years
477.1	1,293	0 years	80,421	0.7 years
595.0	54,606	0 years	212,897	0.7 years
606.3	19,792	0 years	69,272	0.7 years
631.5	408,500	1.3 years	443,500	2.3 years
687.0	-	0 years	360,000	0.3 years
698.6	81,887	1.7 years	91,629	2.7 years
888.1	38,007	0.6 years	45,495	1.6 years
931.8	800,438	2.3 years	865,438	3.3 years
958.0	329,947	3.8 years	366,104	4.8 years
980.0	291,000	2.3 years	306,000	4.3 years
1,028.0	244,915	2.8 years	-	0 years
1,126.0	159,407	3.7 years	166,071	4.7 years
1,143.0	61,188	2.8 years	90,256	3.8 years
1,153.0	74,407	2.3 years	-	-
1,201.0	716,967	3.1 years	-	-
1,238.1	50,937	1.0 years	50,937	2.0 years
1,242.0	540,000	2.3 years	-	0 years
1,250.4	50,000	2.7 years	-	0 years
1,256.0	50,000	2.7 years	-	-
1,329.0	250,000	0.6 years	300,000	1.6 years
	5,488,613	1.5 years	6,219,157	1.0 years

25. SHARE-BASED PAYMENTS (CONTINUED)

The fair value at the date of grant of options awarded during the year ended 30 June 2016 and the year ended 30 June 2015 has been estimated by the Black-Scholes methodology and the principal assumptions required by the methodology were as follows:

	At 30 June 2016	At 30 June 2015
Weighted average share price	**1,291.05p**	1,081.21p
Expected dividend yields	**2.67%**	3.43%
SAYE		
Weighted average exercise price	**1,028.00p**	958.00p
Expected volatility	**29%**	34%
Risk-free rate	**0.48%**	1.04%
Expected life	**3 years**	5 years
Executive scheme		
Weighted average exercise price	**1,185.11p**	971.78p
Expected volatility	**30%**	31%
Risk-free rate	**1.20%**	1.29%
Expected life	**3.8 years**	4.1 years

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

Prior to 15 May 2007 the Company's shares were not listed on a stock exchange and therefore no readily available market price existed for the shares. The share price of share option awards granted prior to 15 May 2007 were based on the latest market value agreed with HM Revenue & Customs using an earnings multiples approach based on comparable quoted companies. Similarly, share price volatility was estimated as the average of the volatility experienced by a comparable group of quoted companies. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. Since 15 May 2007, a quoted market price has been available for the Company's shares.

The Group recognised total expenses related to equity-settled share-based payment transactions as shown in Note 7.

26. EVENTS AFTER BALANCE SHEET DATE

On 6 September 2016 the Directors proposed a second interim ordinary dividend payment of 16.30 pence per ordinary share and a special dividend of 9.90 pence per ordinary share, payable on 28 September 2016 to all shareholders on the register at the close of business on 16 September 2016 as detailed in Note 10.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27. RELATED PARTY TRANSACTIONS

The Company has a related party relationship with its subsidiaries, and with its Directors and members of the Executive Committee (the "key management personnel"). Transactions between the Company and its key management personnel are disclosed below. Details of transactions between the Company and other related parties are also disclosed below.

Trading transactions
The Company entered into the following transactions with Directors within the Hargreaves Lansdown Group and related parties who are not members of the Group:

During the years ended 30 June 2016 and 30 June 2015 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 £105,000 per annum. No amount was outstanding at either year-end.

In the prior year the Company settled certain personal expenses on behalf of one Director, all of which were subject to subsequent reimbursement from the Director. No amount was outstanding as at 30 June 2015 and this has not occurred throughout the year ending 30 June 2016.

On 7 November 2014, the Group agreed to purchase 30 shares in its subsidiary, Library Information Services Ltd (LIS), in an arm's length transaction; increasing the Group's share-holding from 75% to 78%. The shares were purchased from Stuart Louden the founder Director of LIS and currently the only other shareholder, who is an employee of Hargreaves Lansdown Asset Management Limited. The price paid per share was £35,405. There is no readily available market for these shares and hence a valuation was arrived at based on a multiple of operating profit. The Directors of Hargreaves Lansdown plc deemed this to be a fair price in the circumstances. The total amount paid was £1,062,150 and this was settled in cash on 17 December 2014.

During the years ended 30 June 2016 and 30 June 2015 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 2016 £'000	Year ended 30 June 2015 £'000
Short-term employee benefits	**6,403**	5,787
Post-employment benefits	**341**	378
Termination benefits	**317**	183
Share-based payments	**1,163**	924
	8,224	7,272

In addition to the amounts above, seven key management personnel (2015: three) received gains of £6,662,692 (2015: £3,685,000) as a result of exercising share options. During the year awards under the long- term incentive schemes were made to nine key management personnel (2015: 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 Remuneration Committee report.

	Year ended 30 June 2016 £'000	Year ended 30 June 2015 £'000
Short-term employee benefits	**2,814**	1,723
Post-employment benefits	**42**	83
Termination benefits	**-**	183
Share-based payments	**460**	170
	3,316	2,159

In addition to the amounts above, Directors of the Company received gains £415,857 relating to the exercise of share options (2015: £nil).

	Year ended 30 June 2016 £'000	Year ended 30 June 2015 £'000
Emoluments of the highest paid Director	**2,042***	1,392
	No.	No.
Number of Directors who exercised share options during the year	**1**	-
Number of Directors who were members of money purchase pension schemes	**2**	2

* The highest paid Director was the Chief Executive Officer and full details of his emoluments can be found in the audited "Remuneration payable" table on page 69 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.

28. FINANCIAL INSTRUMENTS

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

	Level 1 Quoted prices for similar instruments £'000	**Level 2** Directly observable market inputs other than Level 1 inputs £'000	**Level 3** Inputs not based on observable market data £'000	**Total** £'000
At 30 June 2016				
Financial assets at fair value through profit or loss	730	-	-	**730**
Available-for-sale financial assets	-	-	264	**264**
	730	-	264	**994**
At 30 June 2015				
Financial assets at fair value through profit or loss	645	-	-	**645**
Available-for-sale financial assets	-	-	264	**264**
	645	-	264	**909**

There were no transfers between Level 1 and Level 2 and no reduction in Level 3 assets during the year (2015: £nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. FINANCIAL INSTRUMENTS (CONTINUED)

Nature and extent of risks arising from financial instruments

(a) Financial risk management

Financial assets principally comprise trade and other receivables, cash and cash equivalents, and current asset listed and unlisted investments. Financial liabilities comprise certain provisions and trade and other payables. The main risks arising from financial instruments are market risk (including interest rate risk, foreign exchange risk and price risk), liquidity risk, and credit risk. Each of these risks is discussed in detail below.

The Group monitors financial risks on a consolidated basis. Hargreaves Lansdown's financial risk management is based upon sound economic objectives and good corporate practice. No hedging transactions have taken place during the years presented. The Group has designed a framework to manage the risks of its business and to ensure that the Directors have in place risk management practices appropriate to a listed company. The management of risk within the Group is governed by the Board.

(b) Market risk

– Interest rate risk

Interest rate risk is the risk that the Group will sustain losses from adverse movements in interest-bearing assets. There is an exposure to interest rates on banking deposits held in the ordinary course of business. At 30 June 2016 the value of financial instruments on the Group balance sheet exposed to interest rate risk was £211.39 million (2015: £216.75 million) comprising cash and cash equivalents. A 50bps (0.5%) move in interest rates, in isolation, would impact investment income by c. £0.5 million per annum. This impact, after taking into account the corresponding increase/decrease in the Group's tax charge, would lead to a change in retained profit for the year. This exposure is continually monitored to ensure that the Group is maximising its interest earning potential within accepted liquidity and credit constraints. The Group has no external borrowings and as such is not exposed to interest rate or refinancing risk on borrowings. Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are also made for varying periods of between one day and 13 months depending on the immediate cash requirements of the Group and earn interest at the respective fixed term deposit rates.

As a source of revenue is based on the value of client cash under administration, the Group has an indirect exposure to interest rate risk on cash balances held for clients. These balances are not on the Group balance sheet but amounted to £6,953 million (2015: £5,392 million).

– Foreign exchange translation and transaction risk

Foreign currency risk is the risk that the Group will sustain losses through adverse movements in currency exchange rates. With substantially all of the Group's businesses located within the UK, and therefore with minimal net assets and transactions of the Group denominated in foreign currencies, the Group is not exposed to significant foreign exchange translation or transaction risk and as such does not hedge any foreign current assets or liabilities. The Group deals in foreign currencies on a matched basis on behalf of clients, limiting foreign exchange exposure. Given the limited nature of transactions and assets involving foreign currencies no sensitivity analysis has been conducted as the impact would be minimal.

– Price risk

Price risk is the risk that a decline in the value of assets adversely impacts on the profitability of the Group as a result of an asset not meeting its expected value. The Group is exposed to price risk on corporate investments held on the Group balance sheet. At 30 June 2016, the fair value of investments recognised on the Group balance sheet was £994,000 (2015: £909,000). A 20% move in equity prices, in isolation, would not have a material impact on the Group balance sheet or results.

As a main source of revenue is based on the value of client Assets Under Administration, the Group has an indirect exposure to security price risk on investments held for clients. These assets are not on the Group balance sheet. The risk of lower revenues is partially mitigated by asset class diversification. The Group does not hedge its revenue exposure to movements in the value of client assets arising from these risks, and so the interests of the Group are aligned to those of its clients.

In addition, the Group acts as a private client investment manager, unit trust manager and agency stockbroker on a matched basis so its exposure to market price movements in this capacity is limited to when there is a trade mismatch or error, or if one matched counterparty fails to fulfil its obligations. The impact of these risks is minimised by limits and monitoring controls.

(c) Liquidity risk

The Group is exposed to liquidity risk, namely the risk that it may be unable to meet its payment obligations as they fall due. The Group is highly cash generative and holds significant liquid assets. The Group actively maintains a proportion of cash balances on short-term deposit to ensure that the Group has sufficient available funds for operations.

The table below analyses the maturities of the undiscounted cash flows relating to financial liabilities of the Group based on the remaining period to the contractual maturity date at the balance sheet date.

	0-3 months £'000	3-6 months £'000	6-12 months £'000	Over 1 year £'000	**Total £'000**
At 30 June 2016					
Trade and other payables:					
Trade payables	556,754	-	-	-	**556,754**
Other payables	2,449	-	-	1,439	**3,888**
	559,203	-	-	1,439	**560,642**
At 30 June 2015					
Trade and other payables:					
Trade payables	362,808	-	-	-	**362,808**
Other payables	11,793	-	-	383	**12,176**
	374.601	-	-	383	**374,984**

(d) Credit risks

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

Within the Group's Stockbroking operation, the Group is exposed to credit risk from counterparties to a securities transaction during the period between the trade date and the settlement date. This period is generally three business days. The Group has credit exposure that extends beyond the original settlement date if the counterparty fails either to make payment or to deliver securities. These transactions are with financial institutions and clients. Settlement risk is substantially mitigated as a result of the delivery versus payment mechanism whereby, if a counterparty fails to make payment, the securities would not be delivered to the counterparty. In that instance, the securities could be sold in the market and therefore the economic substance of the transaction is that securities serve as collateral in the case of delivery versus payment trade debtors. As a result, the risk exposure is effectively to an adverse movement in market prices between the time of trade and settlement.

Other credit risk within the Group is primarily attributable to its trade receivables and the majority represents balances due from other regulated financial institutions where there is an ongoing relationship between the Group and institution. Credit risk is therefore considered to be limited. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

Cash is held with UK licensed banks. The credit risk on liquid funds is minimised because the counterparties are banks with strong credit-ratings assigned by international credit-rating agencies. The Group takes a conservative approach to treasury management and selection of banking counterparties, and carries out regular reviews of all its banks' and custodians' credit ratings.

As at the balance sheet date, no financial assets were individually determined to be impaired.

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

	At 30 June 2016 £'000	At 30 June 2015 £'000
Loans and receivables at amortised cost:		
Cash and cash equivalents	**211,393**	216,753
Trade and other receivables	**576,961**	382,263
Financial assets at fair value through profit or loss:		
Financial investments	**730**	645
Available-for-sale financial assets:		
Financial investments	**264**	264
	789,348	599,925

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. FINANCIAL INSTRUMENTS (CONTINUED)

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

	Neither impaired nor past due £'000	0-3 months past due £'000	3-6 months past due £'000	6-12 months past due £'000	Over 12 months past due £'000	**Total £'000**
At 30 June 2016						
Trade and other receivables:						
Trade receivables	574,183	923	809	395	92	**576,402**
Other receivables	559	-	-	-	-	**559**
	574,742	923	809	395	92	**576,961**
Held-for-trading assets	730	-	-	-	-	**730**
Available-for-sale assets	264	-	-	-	-	**264**
	575,736	923	809	395	92	**577,955**
At 30 June 2015						
Trade and other receivables:						
Trade receivables	378,414	1,559	518	281	31	**380,803**
Other receivables	1,460	-	-	-	-	**1,460**
	379,874	1,559	518	281	31	**382,263**
Held-for-trading assets	645	-	-	-	-	**645**
Available-for-sale assets	264	-	-	-	-	**264**
	380,783	1,559	518	281	31	**383,172**

During the year we have provided for an amount of £8k (2015: £277K) in respect of receivables we do not expect to recover. At the balance sheet date, £512k (2015: £504K) of receivables are impaired, all of which have been provided for in full. As a result, the carrying amount of impaired receivables is nil (2015: nil).

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

- Financial institutions
  In respect of trade receivables, £159.3 million (2015: £90.2 million) is due from financial institutions regulated by the Financial Conduct Authority (FCA) in the course of settlement as a result of daily trading and £0.4 million (2015: £9.0 million) relates to revenue items due from financial institutions regulated by the FCA.

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

The table below shows the credit quality of financial assets that are neither past due nor impaired.

	Financial institutions £'000	Corporate clients £'000	Individuals £'000	**Total £'000**
At 30 June 2016				
Trade receivables	159,657	210	414,316	**574,183**
Other receivables	559	-	-	**559**
Held-for-trading assets	730	-	-	**730**
Available-for-sale assets	264	-	-	**264**
	161,210	210	414,316	**575,736**
At 30 June 2015				
Trade receivables	99,191	169	279,054	**378,414**
Other receivables	1,460	-	-	**1,460**
Held-for-trading assets	645	-	-	**645**
Available-for-sale assets	264	-	-	**264**
	101,560	169	279,054	**380,783**

Capital management

It is the Group's policy to maintain a strong capital base. The Group's objectives when managing capital are i) to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; ii) to maintain a strong capital base and utilise it efficiently to support the development of its business; and iii) to comply with the regulatory capital requirements set by the Financial Conduct Authority ("FCA"). Capital adequacy and the use of regulatory capital are monitored by the Group's management and Board.

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

Pillar 2 requires firms to assess firm-specific risks not covered by the formulaic requirements of Pillar 1 and, where necessary, maintain additional capital - the objective being to ensure that the regulated firms have adequate capital to enable them to manage their risks. The Group completes its assessment of regulatory capital requirements using its Individual Capital Adequacy Assessment Process ("ICAAP") under Pillar 2, which is a forward looking exercise that includes stress testing on major risks, such as a significant market downturn, and identifying mitigating action. The ICAAP covers current as well as projected capital requirements, and is used to manage regulatory capital.

The Group manages its retained earnings, share capital and share premium which total £256.5 million as at 30 June 2016 (2015 £236.9m). Surplus regulatory capital was maintained throughout the year at both a consolidated Group level, as well as at an individual regulated entity level. Under the requirements of Pillar 3 (Disclosure), the Group is required to disclose regulatory capital information, and has done so by making the disclosures available in the Group's website at http://www.hl.co.uk/investor-relations/pillar-3-disclosures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. INTEREST IN UNCONSOLIDATED STRUCTURED ENTITIES

The Group has determined that investment funds that it manages are structured entities. Structured entities include entities that are designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when the relevant activities are directed by means of a contractual relationship. As the Group directs the investing activities of the ten Hargreaves Lansdown Multi-Manager funds through its investment management agreements with them, it considers them to be structured entities. The Group holds interests in these funds through the receipt of management fees, together with ownership interests that it holds. Investments in the funds have been designated at fair value through profit or loss (FVTPL).

Where the Group has an equity holding in the funds, the maximum exposure to loss relates to future management fees should the market value of the funds decrease, plus the fair value of the Group's investment in that fund.

Structured entities with direct holdings
Direct investments in structured entities relate to box positions held by Hargreaves Lansdown Fund Managers Ltd and through portfolios held in Hargreaves Lansdown Asset Management Ltd which mimic holdings in the Portfolio Management Service and HL Portfolio+.

The table below shows the details of unconsolidated structured entities in which the Group has direct holdings as at 30 June 2016 and 30 June 2015.

	Type	Number of funds	Net AUM of funds £'000	Financial assets at FVTPL £'000	Annual management charge £'000	Annual management charge receivable as at 30 June 2016/2015 £'000
2016	Unit Trust	10	6,290,511	266	44,087	3,810
2015	Unit Trust	8	5,551,000	268	36,520	3,528

PARENT COMPANY STATEMENT OF FINANCIAL POSITION as at 30 June 2016

	Note	At 30 June 2016 £'000	At 30 June 2015 (Restated) £'000	At 1 July 2014 (Restated) £'000
ASSETS				
Non-current assets				
Investments in subsidiaries	4	**18,188**	15,664	**12,488**
Other intangible assets		**2**	4	**-**
Deferred tax assets	5	**8**	19	**21**
		18,198	15,687	**12,509**
Current assets				
Trade and other receivables	6	**82,357**	118	**192**
Cash and cash equivalents	7	**95,162**	127,133	**188,172**
Current tax asset		**92**	9	**-**
		177,611	127,260	**188,364**
Total assets		**195,809**	142,947	**200,873**
LIABILITIES				
Current liabilities				
Trade and other payables	8	**19,578**	2,990	**64,577**
Current tax liabilities		**-**	-	**140**
		19,578	2,990	**64,717**
Net current assets		**158,033**	124,270	**123,647**
Total liabilities		**19,578**	2,990	**64,717**
Net assets		**176,231**	139,957	**136,156**
EQUITY				
Share capital	10	**1,897**	1,897	**1,897**
Share premium account	11	**8**	8	**8**
Capital redemption reserve	11	**12**	12	**12**
Retained earnings	11	**174,314**	138,040	**134,239**
Total equity		**176,231**	139,957	**136,156**

The financial statements of Hargreaves Lansdown plc, registered number 02122142, on pages 133 to 141 were approved by the Board of Directors and authorised for issue on 6 September 2016.

Ian Gorham
Chief Executive

Christopher Hill
Chief Financial Officer

NOTES TO THE COMPANY FINANCIAL STATEMENTS

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY for the year ended 30 June 2016

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Retained earnings £'000	**Total Equity £'000**
At 1 July 2014 (restated)	1,897	8	12	134,239	**136,156**
Profit and total comprehensive income	-	-	-	153,763	**153,763**
Increase in investment in subsidiaries	-	-	-	2,109	**2,109**
Dividend paid	-	-	-	(152,071)	**(152,071)**
At 30 June 2015 (restated)	1,897	8	12	138,040	**139,957**
Profit and total comprehensive income	-	-	-	191,932	**191,932**
Increase in investment in subsidiaries	-	-	-	2,524	**2,524**
Dividend paid	-	-	-	(158,182)	**(158,182)**
At 30 June 2016	1,897	8	12	174,314	**176,231**

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

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

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

PARENT COMPANY STATEMENT OF CASH FLOWS for the year ended 30 June 2016

	Note	**Year ended 30 June 2016 £'000**	Year ended 30 June 2015 £'000
Net cash from operating activities			
Cash (used in)/ from operations	9	**(66,316)**	(61,600)
Income tax rebate/(paid)		**46**	(175)
Net cash (used in)/ from operating activities		**(66,270)**	(61,775)
Investing activities			
Interest received		**77**	217
Dividends received from investments		**192,404**	153,663
Purchase of intangible fixed assets		**-**	(6)
Net cash generated from investing activities		**192,481**	153,874
Financing activities			
Dividends paid to owners of the parent		**(158,182)**	(152,071)
Purchase of investment in subsidiary		**-**	(1,067)
Net cash used in financing activities		**(158,182)**	(153,138)
Net (decrease) in cash and cash equivalents		**(31,971)**	(61,039)
Cash and cash equivalents at beginning of year		**127,133**	188,172
Cash and cash equivalents at end of year	7	**95,162**	127,133

1. General information

Hargreaves Lansdown plc (the "Company") is a company incorporated and domiciled in the United Kingdom under the Companies Act 2006 whose shares are publicly traded on the London Stock Exchange. The address of the registered office is 1 College Square South, Anchor Road, Bristol BS1 5HL, United Kingdom. The Company is the parent company of the Hargreaves Lansdown plc Group, and the nature of the Group's operations and its principal activities are set out in the Operating and Financial Review.

The Company financial statements are presented in pounds sterling which is the currency of the primary economic environment in which the Company operates.

Basis of preparation

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

The Company financial statements are prepared on a going concern basis. The Directors believe that they have a reasonable expectation that the Company has adequate resources to continue in operational existence for 12 months from the date the financial statements are adopted.

The financial statements have been prepared on the historical cost basis. Accounting policies have been applied consistently throughout the current and prior financial year.

Prior period restatement, correction of error in accounting for share based payments

The Company grants its shares to employees of its subsidiaries through a number of share based payment schemes. The Company does not charge its subsidiaries for the benefit it is providing to the subsidiaries' employees, and so it is providing a capital contribution to the subsidiaries. The Company should account for this capital contribution as an increase to investment in subsidiaries, with a corresponding increase in equity. The capital contribution was not accounted for in previous periods. The error has been corrected by restating each of the affected financial statement line items for the prior periods as follows:

	30 June 2015 £'000	Increase £'000	30 June 2015 (restated) £'000	30 June 2014 £'000	Increase £'000	1 July 2014 (restated) £'000
Balance sheet (extract)						
Investments in subsidiaries	3,219	12,445	15,664	2,152	10,336	12,488
Net Assets	**127,512**	**12,445**	**139,957**	**125,820**	**10,336**	**136,156**
Retained earnings	125,595	12,445	138,040	123,903	10,336	134,239
Total Equity	**127,512**	**12,445**	**139,957**	**125,820**	**10,336**	**136,156**

2. Significant accounting policies

The accounting policies of the Company are the same as those of the Group which are set out in Note 2 to the consolidated financial statements, except that it has no policy in respect of consolidation and investments in subsidiaries are carried at historical cost, less any provisions for impairment.

3. Profit for the year

As permitted by Section 408 of the Companies Act 2006, no income statement or statement of comprehensive income is presented for the Company. The Company's profit after tax for the year was £191,932,000 (2015: £153,763,000).

The Auditors' remuneration for audit and other services is disclosed in Note 6 to the consolidated financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

4. Investment in subsidiaries

	Year ended 30 June 2016 £'000	Year ended 30 June 2015 (restated) £'000
Investments in subsidiaries		
At beginning of year	**15,664**	12,488
Increase in investment in subsidiaries	**2,524**	2,109
Purchases	**-**	1,067
At end of year	**18,188**	15,664
Comprising:		
Non-current investments - Investments in subsidiaries valued at cost less impairment	**18,188**	15,664

During the prior year the Company increased its ownership in its subsidiary Library Information Services Ltd to 78% following a purchase of 3% of its shares.

A list of the investments in subsidiaries, all of which are incorporated in the UK is shown below. Investments in subsidiaries are shown at cost, which is the fair value of the consideration paid. All subsidiaries have one ordinary class of share only and unless disclosed otherwise below all shares are held by Hargreaves Lansdown plc.

Subsidiary Company Name	Company Registered Number	Company Purpose/ Function	Shares Held by HL plc
Hargreaves Lansdown Advisory Services Ltd (formerly Hargreaves Lansdown Pensions Direct)	03509545	Advisory services	100%
Hargreaves Lansdown Asset Management Ltd	01896481	Unit trust and equity broking, investment fund management, life and pensions consultancy	100%
Hargreaves Lansdown Fund Managers Ltd	02707155	Unit trust management	100%
Library Information Services Ltd	02264702	Data provider	78%
Hargreaves Lansdown Stockbrokers Ltd	01822701	Stockbroking	100%
Hargreaves Lansdown (Nominees) Ltd	01824226	Nominee services	100%
Hargreaves Lansdown Insurance Brokers Ltd	01874058	Dormant company *	100%
Hargreaves Lansdown Investment Management Ltd (100% shares held by Hargreaves Lansdown Fund Managers Ltd)	04021749	Dormant company *	100%
Hargreaves Lansdown Savings Ltd (formerly Hargreaves Lansdown IT & Administration Services)	08355960	Cash services	100%
Hargreaves Lansdown Pensions Ltd (100% shares held by Hargreaves Lansdown Advisory Services Ltd)	03977269	Dormant company *	100%
Hargreaves Lansdown Pensions Trustees Ltd	01733872	Dormant company *	100%
Hargreaves Lansdown EBT Trustees Ltd	03398693	Trustee of the Employee Benefit Trust *	100%
Hargreaves Lansdown Trustee Company Ltd	05794815	Trustee of the Share Incentive Plan *	100%

* Exempt from the requirements to prepare, file and audit individual financial statements under s479A of Companies Act 2006.

5. Deferred tax assets

The following are the major deferred tax assets recognised and movements thereon during the current and prior reporting years. Deferred tax has been recognised at 20%, being the rate in force at the balance sheet date.

	Accelerated tax depreciation £'000	General Provisions £'000	**Total £'000**
At 1 July 2014	11	10	**21**
Charge to income	(1)	(1)	**(2)**
At 30 June 2015	10	9	**19**
Charge to income	(2)	(9)	**(11)**
At 30 June 2016	8	-	**8**

6. Trade and other receivables

	Year ended 30 June 2016 £'000	Year ended 30 June 2015 £'000
Financial assets:		
Amounts receivable from subsidiaries and EBT	**82,270**	60
Other receivables	**13**	-
	82,283	60
Non-financial assets:		
Prepayments and accrued income	**74**	58
	82,357	118

7. Cash and cash equivalents

	Year ended 30 June 2016 £'000	Year ended 30 June 2015 £'000
Cash and cash equivalents:		
Group cash and cash equivalent balances	**95,162**	127,133

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

No disclosures for financial instruments have been made in respect of the Company as the only significant financial instruments held by the Company are cash and cash balances as shown above.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

8. Trade and other payables

	Year ended 30 June 2016 £'000	Year ended 30 June 2015 £'000
Financial liabilities:		
Amounts payable to subsidiaries	**19,246**	2,934
Social security and other taxes	**6**	5
Other payables	**43**	34
	19,295	2,973
Non-financial liabilities:		
Accruals and deferred income	**283**	17
	19,578	2,990

Amounts payable to subsidiaries comprise short-term borrowing from subsidiaries, repayable on demand. The fair values of amounts owed to subsidiaries are equal to their carrying amounts.

9. Notes to the Company statements of cash flows

	Year ended 30 June 2016 £'000	Year ended 30 June 2015 £'000
Profit for the year after tax	**191,932**	153,764
Adjustments for:		
Investment revenues	**(192,481)**	(153,880)
Income tax expense	**(118)**	28
Amortisation of intangible assets	**2**	1
Operating cash flows before movements in working capital	**(665)**	(87)
Decrease/(increase) in receivables	**(82,239)**	74
Increase/(decrease) in payables	**16,588**	(61,587)
Cash used in operations	**(66,316)**	(61,600)

10. Share capital

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

11. Reserves

The share premium account represents the difference between the issue price and the nominal value of shares issued and was unchanged at £8,000 throughout the 2015 and 2016 financial years.

The capital redemption reserve relates to the repurchase and cancellation of the Company's own shares and was unchanged at £12,000 throughout the 2015 and 2016 financial years.

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

12. Related party transactions

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

The Company has nil employees (2015: nil).

As discussed in Note 25 to the consolidated financial statements, the Group provides share-based compensation to employees through a number of schemes; these are all in relation to shares in the Company. The cost of providing those benefits to the employees of the subsidiaries is not charged to the subsidiaries. As a result, the Company provides a capital contribution to its subsidiaries in respect of this schemes.

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

	Year ended 30 June 2016 £'000	Year ended 30 June 2015 (restated) £'000
Dividends received from subsidiaries	**192,404**	153,663
Management charges to subsidiaries	**716**	716
Capital contribution to subsidiaries	**2,524**	2,109
Amount owed to related parties at 30 June	**19,246**	2,934
Amounts owed by related parties at 30 June	**82,270**	60

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

13. Events after balance sheet date

Events after balance sheet date are shown in Note 26 of the consolidated financial statements on page 125.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

14. Financial instruments

Note 28 to the Consolidated Financial Statements includes the Group's policy on capital management, its exposure to financial risks and its policies and processes to manage those risks. There are financial instruments in the Company made up of amounts receivable from subsidiaries and the Employee Benefit Trust and amounts payable to subsidiaries. The nature and extent of risks arising from these financial instruments are as follows:

(a) Liquidity risk

The Company is exposed to liquidity risk, namely the risk that it may be unable to meet its payment obligations as they fall due. The payment obligations primarily relate to amounts payable to subsidiaries which are more than offset by the amounts owed from subsidiaries. In addition the Company holds significant cash balances on short-term deposit to ensure that it has sufficient available funds to meet its obligations and fund its operations.

The table below analyses the maturities of the undiscounted cash flows relating to financial liabilities of the Company based on the remaining period to contractual maturity date at the balance sheet date.

	0-3 months £'000	3-6 months £'000	6-12 months £'000	Over 1 year £'000	**Total £'000**
At 30 June 2016					
Included within Trade and other payables:					
Amounts payable to subsidiaries	19,246	-	-	-	**19,246**
Other payables	43	-	-	-	**43**
	19,289	-	-	-	**19,289**
At 30 June 2015					
Included within Trade and other payables:					
Amounts payable to subsidiaries	2,934	-	-	-	**2,934**
Other payables	34	-	-	-	**34**
	2,968	-	-	-	**2,968**

(b) Credit risk

Credit risk is the risk that a counterparty fails to perform its financial obligations, resulting in financial loss, however, the amounts owed to the Company are primarily from its own subsidiaries. Given the profitability and net assets of the subsidiaries, credit risk is felt to be minimal.

As per the wider Group cash is held with UK licensed banks. The credit risk on liquid funds is minimised because the counterparties are banks with strong credit-ratings assigned by international credit rating agencies. The Group takes a conservative approach to treasury management and selection of banking counterparties, and carries out regular reviews of all its banks' and custodians' credit ratings.

As at the balance sheet date, no financial assets were individually determined to be impaired.

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

	At 30 June 2016 £'000	At 30 June 2015 £'000
Loans and receivables at amortised cost:		
Cash and cash equivalents	**95,162**	127,133
Included within Trade and other receivables:		
Amounts receivable from subsidiaries and EBT	**82,270**	60
Other receivables	**13**	-
	177,445	127,193

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

	Neither impaired nor past due £'000	0-3 months past due £'000	3-6 months past due £'000	6-12 months past due £'000	Over 12 months past £'000	**Total £'000**
At 30 June 2016						
Included within Trade and other receivables:						
Amounts receivable from subsidiaries and EBT	82,270	-	-	-	-	**82,270**
Other receivables	13	-	-	-	-	**13**
	82,283	-	-	-	-	**82,283**
At 30 June 2015						
Included within Trade and other receivables:						
Amounts receivable from subsidiaries and EBT	60	-	-	-	-	**60**
Other receivables	-	-	-	-	-	**-**
	60	-	-	-	-	**60**

DIRECTORS, COMPANY SECRETARY, ADVISERS AND SHAREHOLDER INFORMATION

EXECUTIVE DIRECTORS
Ian Gorham
Christopher Hill

NON-EXECUTIVE DIRECTORS
Christopher Barling
Mike Evans
Shirley Garrood
Stephen Robertson
Jayne Styles

COMPANY SECRETARY
Judy Matthews

INDEPENDENT AUDITORS
PricewaterhouseCoopers LLP, Bristol

SOLICITORS
Osborne Clarke LLP, Bristol

PRINCIPAL BANKERS
Lloyds Bank plc, Bristol

BROKERS
Barclays
Numis Securities Limited

REGISTRARS
Equiniti Limited

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

WEBSITE
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COMPANY NUMBER
02122142

FIVE YEAR SUMMARY

	2016 £'000	2015 £'000	2014 £'000	2013 £'000	2012 £'000
Revenue	**388,333**	**395,137**	**358,393**	**292,403**	**238,741**
Commission payable / loyalty bonus	(61,797)	(100,949)	(66,526)	(23,205)	(16,356)
Net revenue *	**326,536**	**294,188**	**291,867**	**269,198**	**222,385**
Operating costs	(102,792)	(91,720)	(83,014)	(77,270)	(66,999)
Underlying operating profit	**223,744**	**202,468**	**208,853**	**191,928**	**155,386**
FSCS costs **	(5,494)	(4,417)	(832)	532	(4,774)
Operating profit	**218,250**	**198,051**	**208,021**	**192,460**	**150,612**
Investment revenue	629	987	1,768	2,879	2,229
Other (losses) and gains	-	-	(3)	(155)	(2)
Profit before tax	**218,879**	**199,038**	**209,786**	**195,184**	**152,839**
Tax	(41,623)	(41,789)	(47,052)	(46,195)	(39,520)
Profit after tax	**177,256**	**157,249**	**162,734**	**148,989**	**113,319**
Non-controlling interests	(361)	(585)	(643)	(598)	(359)
Profit for the financial year attributable to owners of the parent company	**176,895**	**156,664**	**162,091**	**148,391**	**112,960**
Equity shareholders' funds	**253,698**	**236,566**	**227,753**	**196,622**	**156,994**
Weighted average number of shares for the purposes of diluted EPS (million)	**474.72**	**473.72**	**474.37**	**471.92**	**469.42**
	Pence	**Pence**	**Pence**	**Pence**	**Pence**
Equity dividends per share paid during year	33.50	32.30	30.29	23.79	19.47
Basic earnings per share	37.4	33.2	34.5	31.7	24.2
Diluted earnings per share	37.3	33.1	34.2	31.4	24.1

* Following the implementation of the Retail Distribution Review in March 2014, the gross reported revenue was boosted by a new revenue stream and at the same time loyalty bonuses paid to Vantage clients were significantly increased. In order to better compare revenue performance across the five years above, net revenue which is total revenue less the commission payable and loyalty bonus has been shown.
** Relates to the operating costs of the running of and the levies relating to the Financial Services Compensation Scheme (FSCS).

GLOSSARY OF ALTERNATIVE FINANCIAL PERFORMANCE MEASURES

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

Measure	Calculation	Why we use this measure
Cash conversion ratio (%)	The operating cash flows for the year divided by the operating profits for the year.	Provides a measure of the efficiency with which profits are converted into cash.
Discretionary recurring net revenue (%)	The total value of the annual management charge earned on the Hargreaves Lansdown Multi-Manager funds and the management fees and ongoing adviser charges for the PMS service divided by the total discretionary 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.
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 6 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.
Operating Costs	The costs per the Income Statement excluding commission payable (i.e. the aggregate of staff costs, other operating costs and FSCS costs).	In light of the transitional period relating to the Retail Distribution Review (see Net Revenue below) and the impact this had on commission payable in the form of loyalty bonuses, this measure of Operating Costs provides a more useful comparative measure over time.
Net revenue (£) **(See Income Statement on page 100 for the reconciliation of net revenue)**	Total revenue less commission payments which are primarily loyalty bonuses paid to Vantage clients.	Because of the changes brought about to the client charging structure by the Retail Distribution Review ("RDR") there was a transitional period (from 1 March 2014 to 1 April 2016). From 1 March 2014 revenue was increased as Hargreaves Lansdown earned both a new platform fee from clients and the existing renewal commission from the Fund Management Groups based on the value of funds held by clients. At the same time the loyalty bonus paid to clients was significantly increased on the pre-RDR funds to largely mitigate the impact of the new platform fee. In order to aid comparability during the period of transition to 1 April 2016 the net revenue measure became the most useful comparative measure of revenue as it better reflected the underlying income relating to funds held by clients.
Net revenue per employee (£)	Total net revenue divided by the average number of employees (excluding directors) for the year.	Provides a measure of staff productivity and the scalability of the business model.
Percentage of recurring net revenue (%)	The total value of renewal commission (after deducting loyalty bonuses), platform fees, management fees and interest earned on client money divided by the total net revenue.	Provides a measure of the quality of our earnings. We believe recurring revenue provides greater profit resilience and hence it is of higher quality.
Percentage of Vantage recurring net revenue (%)	The total value of Vantage 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.
Vantage net revenue margin (%)	Total Vantage 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.
Vantage net revenue margin from cash (%)	Net 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.
Vantage 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.
Vantage net revenue margin from shares (%)	Net 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.

DEFINITION OF TERMS

AGM	Annual General Meeting
Asset retention rate	Based on the monthly lost AUA as a percentage of the opening months AUA and averaging for the year
AUA	Assets Under Administration is the total value of all assets administered or managed by Hargreaves Lansdown on behalf of its clients
AUM	Assets Under Management is the total value of all assets managed by Hargreaves Lansdown comprising our Multi-Manager funds and assets held within PMS
Basic EPS	Basic Earnings Per Share
Board	The Board of Directors of Hargreaves Lansdown plc
Client retention rate	Based on the monthly lost clients as a percentage of the opening months total clients and averaging for the year
Company	Hargreaves Lansdown plc
CRC Energy efficiency scheme	The Carbon Reduction Commitment efficiency scheme is a mandatory government scheme aimed at improving energy efficiency and cutting emissions in large public and private sector organisations
Corporate Vantage	Our corporate wrap allows employers to offer the benefits of the Hargreaves Lansdown Vantage service to employees via the workplace
CTF	Child Trust Fund
Diluted EPS	Diluted Earnings Per Share
EBT	Employee Benefit Trust
FCA	Financial Conduct Authority, the regulator of the UK financial services industry
FSCS	Financial Services Compensation Scheme
Fund of Funds	An investment strategy whereby a portfolio is created by investing in funds rather than directly into equities and other securities
Group	Hargreaves Lansdown plc and its controlled entities
HL	Hargreaves Lansdown
HL Live	A software application which is designed for use on mobile phones and other portable electronic devices to allow clients access to their accounts and other information on the move
HMRC	HM Revenue and Customs
ICAAP	Internal Capital Adequacy Assessment Process
IFA	Independent Financial Advisor
IFRS	International Financial Reporting Standards
Investment Supermarket Platform	A service which allows clients to buy, sell and hold a wide range of investments in one place
ISA	Individual Savings Account
IT	Information Technology
Loyalty Bonus	A reward to customers for holding certain collective investments within the Vantage wrapper. This is paid on a regular basis as a percentage of qualifying assets
LTIP	Long term incentive plan
Multi-Manager funds	A range of funds offered by Hargreaves Lansdown which are managed under the fund of funds format
Net new business inflows	Represents subscriptions, cash receipts, cash and stock transfers in less cash withdrawals, cash and stock transfers out
Number of new Clients	Unique number of clients holding at least one account (PMS, ISA, SIPP or Fund and Share Account) with a value greater than £100 at the year-end
Net revenue	Total revenue less commission paid , which is primarily the loyalty bonus paid to clients
Organic growth	Growth in Assets Under Administration can be attributed to two main causes. The first is growth due to the appreciation in the value of existing assets and the second is organic growth through additional contributions

Pillar 1 and 2 capital requirements	The Basel Committee on Banking Supervision set out certain capital requirements which must be met by qualifying financial institutions
Platforum	The advisory and research business specialising in investment platforms which compiles the "Direct Platform Guide"
PMS	Portfolio Management Service
RDR	Retail Distribution Review
SAYE scheme	Save As You Earn scheme
SIPP	Self-invested Personal Pension
Treating clients fairly	A central concept to the FSA's retail regulatory agenda, which aims to ensure an efficient and effective market and thereby help consumers achieve a fair deal
UK Corporate Governance Code	A code with sets out standards for best boardroom practice with a focus on Board leadership and effectiveness, remuneration, accountability and relations with shareholders
Vantage	The Group's flagship service, Vantage, is a direct-to-investor platform
Year-end/financial year	Our financial year starts on 1 July and ends on 30 June

HARGREAVES LANSDOWN

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