Hargreaves Lansdown plc

Results for the year ended 30 June 2020

Highlights:

- Net new business of £7.7 billion
- Strong growth in Assets Under Administration, up 5% to £104.0 billion
- 1,412,000 active clients, an increase of 188,000 in the year
- Profit before tax increase of 24% to £378.3 million
- Total dividend up 31% at 54.9 pence per share

	Year to 30 June 2020	Year to 30 June 2019	**Change %**
Net new business inflows	**£7.7bn**	£7.3bn	**+5%**
Total assets under administration	**£104.0bn**	£99.3bn	**+5%**
Revenue	**£550.9m**	£480.5m	**+15%**
Underlying profit before tax*	**£339.5m**	£305.8m	**+11%**
Profit before tax	**£378.3m**	£305.8m	**+24%**
Diluted earnings per share	**65.9p**	52.0p	**+27%**
Ordinary dividend per share	**37.5p**	33.7p	**+11%**
Total dividend per share	**54.9p**	42.0p	**+31%**

*Underlying profit before tax excludes a one-off gain of £38.8m on the disposal of Funds Library

Chris Hill, Chief Executive Officer, commented:

We have delivered a strong performance, despite an external environment of persistent challenge.

The benefits of putting our clients at the heart of everything we do, combined with our investment in the scalability, diversity and resilience of HL's business model, have been demonstrated through a record 188,000 net new clients, bringing total active clients to over 1.4 million and £7.7 billion of net new business, also a record.

At the same time we have completed significant strategic initiatives including launching our new Wealth Shortlist and Fund Finder, as well as completing further work to enhance governance, scalability and resilience in our service to clients.

Our priority has remained our colleagues and clients throughout this challenging period and I am proud of how we have responded. We have not furloughed our employees, enacted any redundancy programmes or sought any Government assistance.

The acute challenges of this year have reinforced the importance of resilience for us all and we will continue to have a key role in helping our clients build resilience into their savings and investments to enable themselves to be confident to manage through difficult periods and events.

Our focus on clients, the trusted relationships we have with them and the investment we have made to broaden and strengthen our proposition, means that we are strongly positioned to help our clients navigate through these unprecedented times. It also provides us with confidence in our ability to deliver sustainable and attractive growth and returns beyond the immediate period of uncertainty.

About us:

Hargreaves Lansdown is the UK's largest direct to investor investment service administering £104.0 billion of investments for over 1,412,000 clients. Our purpose is to empower people to save and invest with confidence. We aim to provide a lifelong, secure home for people's savings and investments that offers great value, an incredible service and makes their financial life easy.

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Analysts' presentation

Hargreaves Lansdown will be hosting an investor and analyst presentation at 10:00am on 7 August 2020 following the release of the results for the year ended 30 June 2020. To access the presentation call contact james.found@hl.co.uk. Slides accompanying the analyst presentation will be available this morning at www.hl.co.uk/investor-relations and an audio recording of the analyst presentation will be available by close of business on the day.

Alternative performance measure

Included in this announcement are various alternative performance measures used by the Company in the course of explaining the results for the year to 30 June 2020. These measures are listed along with the calculations to derive them and an explanation of why we use them on page 30 in the Glossary of Alternative Financial Performance Measures. A reconciliation to profit before tax is given in the Operating and Financial Review section.

Forward-looking statements

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

Chief Executive's Review

Growth through challenge and change

2020 has been a significant year for Hargreaves Lansdown and I am pleased at how we have continued to execute our strategy and provide support for our clients in an external environment of persistent challenge.

In hard times there are challenges for all of us as individuals, clients and colleagues. I would like to take this opportunity to thank our clients for their resilience and continued support and my colleagues for their hard work, commitment and ingenuity in managing the tremendous change that COVID-19 has brought in the midst of our busiest time of year. Despite the personal upheaval we have all experienced, it has been inspiring to see the support we have provided to our clients and it is through their performance that we have been able to deliver strong outcomes for all our stakeholders.

The first half of the year was characterised by political uncertainty around Brexit and Trade Wars. At the time, we were confident that any certainty provided by the election result would improve investor confidence and lead to a strong performance through the second half. Our thinking was confirmed over the rest of the year where, despite the unforeseen ongoing pandemic and the significant challenge this has brought to the world, HL has delivered a performance of great strength.

The benefits of putting our clients at the heart of everything we do combined with our investment in the scalability, diversity and resilience of HL's business model, have been demonstrated in its response to the COVID-19 crisis. At the same time we have completed significant strategic initiatives including launching our new Wealth Shortlist, delivering our first multi-channel advertising campaign as well as completing further work to enhance governance, scalability and resilience in our service to clients.

Building resilience over the long term

I believe that the acute challenges of this year have reinforced the importance of resilience for us all. Clients must have confidence in HL's ability to remain secure and provide the best service to them. But clients must also build resilience into their savings and investments to enable themselves to be confident to manage through difficult periods and events.

At Hargreaves Lansdown we have a very strong purpose: to empower our clients to save and invest with confidence over the long-term; and this is supported by a culture and values that are focused on helping our clients in the right ways to deliver the best outcomes for them. We recognise how complex the UK wealth landscape has become and the challenge this brings to serve clients. Financial requirements are becoming increasingly complicated: as people live longer, as long-term saving obligations move from companies to individuals and the low interest rate environment persists with added volatility and uncertainty; people need support.

The tools, knowledge and insight that we provide as part of our service, equip and empower our clients to manage their savings and investments. Diversification is a key part of building resilience into a portfolio and our proposition offers clients the opportunity to save and invest across a spectrum of asset classes, including in cash with Active Savings.

HL's role as a lifelong partner for clients is growing and we will continue to develop our proposition, capabilities and digital technology to provide an experience for clients that is appropriate to their evolving lifetime savings and investment needs. Our connectivity with our clients means we can evolve to meet their needs, especially as the external environment continues to change rapidly.

Our Response to COVID-19

This culture and focus on our clients guided our swift response to the COVID-19 pandemic. Our immediate priorities were ensuring the safety and well-being of colleagues whilst maintaining the core services that our clients rely on. This included moving the majority of colleagues to work from home whilst swiftly implementing effective social distancing across three sites for those colleagues who needed to be in the office.

It is through the investment we have made in our service and technology over the past few years that we were able to ensure both the resilience and scalability of HL over this period and to react to the situation with agility. As a result we were able to continue to deliver the service that our clients needed during this time and manage the record volumes of client activity. We also provided critical insight and information on matters that they were concerned about.

In keeping with our own expectations of our role in the community in which we live we also provided support to our local community. More detail on our response to COVID-19 for key stakeholders will be outlined in the Corporate Social Responsibility section of our 2020 Report and Financial Statements.

Keeping close to clients

Our client service and client outcome based strategy is underpinned by an unrelenting focus on understanding our clients' needs, a critical part of which comes from using the insight that we get from their interactions with us. As we act on this insight, and provide a service that serves to retain clients, we build a lifelong relationship that further enhances our ability to tailor their engagement and our service in the most appropriate ways for them.

This focus was key to our service response to COVID-19 as mentioned above. We used the intelligence provided through our phone and email contact together with observing the activity on the mobile and web platforms to study carefully what clients needed and we reacted as a result. We maintained the Helpdesk phone lines throughout and put additional measures in place to increase our email response rate in line with client contact. We also introduced new measures to support our vulnerable clients including increased information on fraud risk and a specific phone line to provide them with further support.

We made proactive decisions to stop and then swiftly to adjust our marketing to ensure that the messages were appropriate, and paused other initiatives such as the Wealth Shortlist so that our clients were getting the right focus and attention when they needed it most. As the crisis developed we concentrated on what content clients were engaging with online and identified where they needed insight. The top 10 articles our research team posted were read up to three times as much as the top 10 last year with over double the number of non-client visitors to the website using these resources.

We recognise that, through the intensive scale of client interaction on our mobile and online platforms, and through calls and emails to the Helpdesk, we gain huge insight and understanding. This allows us to focus on what savers and investors specifically need and then work to deliver this. Across the year, digital visits increased by 41% from 177 million (FY19) to 249 million in FY20. We received unprecedented volumes of emails into the Helpdesk between April and June alone and have continued to see consistently high volumes of calls throughout this time.

We have also developed our digital and mobile capability in response to changes in how clients want to interact with us. The popularity of our mobile app continues to significantly grow and represents an increasingly important feature for our clients. Of the 1.2 million clients who logged in online, 43% did so through the app whilst 33% of online client initiated share trades came via the apps, more than double last year. Developing digital capabilities further remains a priority for us and it is important that we remain agile and are continually anticipating and responding to changes.

Developing our proposition

We recognise the need to constantly develop and improve our offering to ensure we are delivering what our clients need. At the same time, as a leading financial services company we have a responsibility to play a key part in setting industry standards. As such it was essential that we learnt from the experience surrounding the Woodford issue last year.

We undertook significant work to review the governance framework relating to the investment processes across the business and conducted extensive research with our clients. Changes were implemented and incorporated in the launch of the Wealth Shortlist in June 2020. This new list incorporates new functionality, search tools and a more structured view of our research to provide clients with all the key information they need to make investment decisions, in a transparent and easy to use format.

The extensive research included interactions with over 8,000 clients, with surveys, face to face interviews and a deep dive into the additional insights we have gained in how clients use our platform. The end result directly reflects what our clients told us about how they use the list and what they wanted to see.

As part of this process, we also launched new fund tools and updates which make navigating the funds available through our platform more transparent and easier than ever before.

These changes have been underpinned by changes to governance processes to raise the level of rigour and challenge to decisions that we make. These developments will ensure that not only our Wealth Shortlist and Fund Finder tool, but also future investment propositions and wider developments, will also have a robust, thorough and transparent governance structure behind them. We recognise how evolving the role of governance provides additional rigour and challenge to our decisions and results in better outcomes.

Executing our strategy

We welcomed a record 188,000 net new clients during the year, bringing total active clients to over 1.4 million and supported £7.7 billion of net new business, another record.

The importance of our own resilience and diversification is demonstrated in our growth with the volume of client driven share deals up 96% and revenue from share dealing up 94% and Active Savings now used by 66,000 clients with £2.2 billion of AUA.

Through the market volatility of early 2020, we have maintained our position as the market leader with our share of the direct to consumer platform market at 41.1%[1], and seen a significant increase in our share of the execution only stockbroking market rising to 39.5%[2].

In the lead up to tax year end we delivered our first multi-channel advertising campaign 'Switch your Money ON'. This was an opportunity to deliver a creative proposition with both immediacy and the long-term potential to deliver other HL messages, whilst building the HL brand. Over 12 million of our target audience viewed advertisements in the period, including adverts seen over 304 million times. We focused on reinforcing our position as a leading ISA provider as we approached tax year end, highlighting our scale and service credentials and this approach delivered significant results with both brand awareness and consideration.

Compared to a few years ago, we are now seeing more clients who, on average, are joining HL at younger ages and the way they interact has shifted with more interest in mobile and access to new asset classes through our Active Savings products. Client needs adapt and evolve over time depending on knowledge, experience and circumstances and our agility in adapting and responding is driven by our proposition and service.

In order to rise to this challenge, we recognise the importance of continuing to develop more digital and connected technology. We continue to invest into our range of capabilities because these are what enable us to develop and deliver a broad proposition, offering not only choice and flexibility but solutions across a diverse range of asset classes. These solutions are supported by an evolving set of tools, expertise and service that enable clients to engage, giving them confidence to take control and be resilient in managing their savings and investments for the long term. In return, these clients concentrate their investments and cash savings with us, and work to their financial goals over their lifetimes, continuing to save their annual allowances and investing for the long term.

In February, we completed the sale of FundsLibrary, our data management and digital services business, to Broadridge Financial Solutions Inc. The decision to sell reflected our view that, as a business to business service, it was no longer core to our overall strategy, and the proceeds received from this will be used to enhance the total dividend payment for this year.

Conclusion and outlook

Over the next few years, the wealth industry will continue to develop in response to the changing requirements and challenges that people have in saving and investing alongside the pressing demands of everyday life. With our scale, insight and deep understanding of client needs we will continue to be at the forefront of responding to change and evolving our proposition to the benefit of clients. We are already seeing an evolution of our service supporting clients from younger ages and across broader investment and savings options. As we continue to evolve our proposition to reflect changing client needs, that trend will continue to grow in importance.

The Financial Conduct Authority has acknowledged the importance of people's engagement with managing their financial futures and, after the past few years of significant regulatory change, there has been a growing focus on steering future regulation to one based upon outcomes. We are supportive of this regulatory direction of travel and will continue to work with the Financial Conduct Authority as the industry evolves to design and deliver these outcomes responsibly.

The experience of this year has reinforced the importance of our service-focused strategy and demonstrated its effectiveness with a very strong performance delivered through a range of difficult conditions. This gives us confidence to look ahead and invest in addressing the significant market opportunity. We will maintain our focus on skills, capabilities and technologies as this is critical in developing the lifelong client relationships which help drive future growth. Our scale and strong market position, together with a robust balance sheet and cash flows will enable us to continue delivering value to all of our stakeholders over the long term.

In the near term the UK economy faces a period of uncertainty as we work through the many issues arising from COVID-19. Unemployment levels have increased significantly whilst economic growth has decreased. The government has borrowed vast amounts to help the economy and society but the road to recovery could be a long one with various tax implications along the way.

The impact on our clients and the wider investment community as a result is difficult to call. Interest rates are at all-time lows, which makes cash savings unappealing, but market uncertainty and volatility can equally deter people from investing and access to liquidity is a key part of building financial resilience. However, our focus on clients, the trusted relationships we have with them and the investment we have made to broaden and strengthen our proposition, means Hargreaves Lansdown is strongly positioned to help our clients navigate through these difficult times. We are clear in the structural growth opportunity, clear in our strategy and business model and these provide us with confidence in our ability to deliver sustainable and attractive growth and returns beyond the immediate uncertainties.

Chris Hill

Chief Executive Officer
6 August 2020

1 Source: Platforum UK D2C Market Overview (July 2020).
2 Source: Compeer Limited XO Quarterly Benchmarking Report Quarter 1 2020.

Operating and Financial Review

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

	Year ended 30 June 2020 £bn	Year ended 30 June 2019 £bn
Opening AUA	**99.3**	**91.6**
Underlying net new business	**7.7**	**7.3**
Market movement & other	**(3.0)**	**0.4**
Closing AUA	**104.0**	**99.3**

The diversified nature of Hargreaves Lansdown, the breadth of our product offering and provision of high quality services tailored to the needs of our clients has allowed us to deliver a record year for NNB inflows. This has been achieved against a backdrop of uncertainty around UK politics and Brexit in the first half and the unprecedented issues relating to the COVID-19 in the second half. The Group's relentless focus on client service has been core to our success as a business and positions us well for the structural growth opportunity in the UK savings and investments market.

NNB for the year totalled £7.7 billion (2019:£7.3bn) driven by increased client numbers, continued wealth consolidation onto our platform and strong trading through the COVID-19 period. The first half of the year saw difficult external market conditions, with concerns over global trade wars, Brexit and the UK general election all weighing on investor confidence. The first half benefited from new business from direct books totalling £0.9 billion.

Following the general election, we saw an increase in client confidence, engagement and activity levels. As the world became disrupted by COVID-19, the benefits of our investments over the past few years became clear. Whilst being focused on colleague welfare throughout, we remained open for business through the crucial tax year end period. We were able to cope with a surge in net new clients, NNB and record activity levels. An ISA focused advertising campaign helped drive significant new ISA clients and our stockbroking capabilities helped attract many new younger clients who were particularly engaged with share dealing.

During the year to 30 June 2020, we introduced 188,000 (2019: 133,000) net new clients to our services and grew our active client base by 15% to 1,412,000.

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

Our focus on service and the value our clients place on our offering is evidenced by client and asset retention rates remaining strong at 92.8% and 92.1% respectively. The client retention rate is quoted on our historic measure where we define active clients as those with over £100 on the platform. We note that other providers quote this measure with active clients defined as those with over 1 pence on their platform. For comparative purposes, the HL client retention rate on this basis would have been 95.7% (2019: 96.1%, 2018: 95.8%). Our increased focus on digital marketing has been key in winning new and engaging with existing clients, ensuring we become integral to their lives in terms of saving and investing for the future.

Total AUA increased by 5% to £104.0 billion as at 30 June 2020 (£99.3 bn as at 30 June 2019). This was driven by £7.7 billion of NNB offset by negative market movement of £3.0 billion.

Financial performance

Income Statement

	Year ended 30 June 2020 £m	Year ended 30 June 2019 £m
Revenue	**550.9**	480.5
Operating costs	**(214.9)**	(179.4)
Fair value gains on derivatives	**1.7**	2.2
Finance income	**2.8**	2.8
Finance costs	**(1.0)**	(0.3)
Underlying profit before tax	**339.5**	305.8
Gain on disposal	**38.8**	-
Profit before tax	**378.3**	305.8
Tax	**(65.1)**	(58.2)
Profit after tax	**313.2**	247.6

2020 profit before tax grew by 24% to £378.3 million. This included a gain on disposal of £38.8 million relating to FundsLibrary Limited, which if removed, would give an 11% increase in underlying profit before tax. The increase was driven by continued NNB-driven revenue growth and strong share dealing volumes in the second half of the year.

Revenue

Revenue for the year was £550.9 million, up 15% (2019: £480.5m), driven by higher asset levels and record share dealing volumes seen in the second half of the year. This more than offset a fall in annual management charges on the HL Funds which fell in line with their lower average asset values seen this year. This strong revenue result in a period of difficult external conditions clearly shows the benefit of the Group's diversified market-leading presence across our range of chosen asset classes. Our market share of the UK execution only market continued to grow, hitting a new high of 39.5% (as measured by Compeer's XO Quarterly Benchmarking Report Q1 2020).

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

	Year ended 30 June 2020			Year ended 30 June 2019		
	Revenue £m	**Average AUA £bn**	**Revenue margin bps**	Revenue £m	Average AUA £bn	Revenue margin bps
Funds[1]	**210.6**	**52.3[7]**	**40**	206.2	50.6[7]	41
Shares[2]	**148.5**	**34.3**	**43**	86.2	31.4	27
Cash[3]	**91.1**	**12.3**	**74**	73.2	10.2	72
HL Funds[4]	**63.6**	**8.7[7]**	**73**	68.3	9.2[7]	74
Other[5]	**37.1**	**1.7[6]**	**-**	46.6	0.5[6]	-
Double-count[7]	**-**	**(8.6)[7]**	-	-	(9.1)[7]	-
Total	**550.9**	**100.6[7]**	-	480.5	92.8[7]	-

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

Revenue on Funds increased by 2% to £210.6 million (2019: £206.2m) due to AUA growth primarily from net new business. Funds remain our largest client asset class at 52% of average AUA (2019: 55%), and the revenue margin earned on these this year was 40bps (2019: 41bps). As anticipated the fund margin was slightly impacted as we waived the platform fee throughout the period on holdings in the Woodford Equity Income Fund and on the Woodford Income Focus Fund during its suspension from October 2019 to February 2020. The revenue impact from the waivers is estimated at £2.6 million and had it not been incurred the margin would have been 41bps. Revenue margins on Funds have been broadly stable following the completion of RDR in 2014 and we expect them to remain at similar levels over the next 12 months. Funds AUA at the end of 2020 was £51.7 billion (2019: £53.8bn).

Revenue on Shares increased by 72% to £148.5 million (2019: £86.2m) and the revenue margin was 43bps (2019: 27bps), ahead of our expected range of 35bps to 40 bps given at the trading update on 14 May 2020. This margin is primarily a result of the ratio of dealing volumes to average AUA, and whilst the first half saw AUA increase faster than dealing volumes and the subsequent revenues, the situation in the second half changed dramatically. Post the General Election result in December 2019 and into the COVID-19 period, dealing volumes increased to record levels on our platform at a time when the average AUA was impacted by significant market falls. This resulted in the second half margin being unusually high at 61bps compared to 26bps in the first half, giving an overall margin of 43bps. Total client driven deal volumes increased 95% to 8.2 million (2019: 4.2m). March to June recorded volumes of 1.1 million to 1.3 million deals per month compared to a monthly average of 0.37 million for the same months in the past three years.

Management fees for shares charged in the SIPP and Stocks and Share ISA accounts are capped once holdings are above £44,444 in a SIPP and £10,000 in an ISA. This causes some dilution to the margin over time as clients grow their portfolio of shares. Shares account for 34% of the average AUA (2019: 34%). Given recent experience, it is difficult to know what the margin of Shares might be over the next 12 months given it is primarily driven by actual dealing volume levels. However, our current expectation is that it will be in the range of 30 to 50bps. Shares AUA at the end of 2020 was £36.4 billion (2019: £33.7bn).

Revenue on Cash increased by 24% to £91.1 million (2019: £73.2m) as a result of increased cash levels combined with a slight increase in the interest margin to 74bps (2019: 72bps). This is in line with our communicated expectations of between 70bps and 75bps given at the trading update announced on 14 May 2020. Cash accounts for 12% of the average AUA (2019: 11%). At the start of the year the Bank of England base rate was 0.75% but then emergency rate cuts of 0.50% and then a further 0.15% in March 2020 took us to an all-time low of 0.10%. With the majority of clients' SIPP money placed on rolling 13 month term deposits, and non-SIPP money on terms of up to 95 days, the full impact of the rate rise takes over a year to flow through. We anticipate the cash interest margin for the 2021 financial year will be in the range of 40bps to 50bps, although given how the yield curve took a couple of months to reflect the cuts in base rate we expect margins in the first half of the year to be higher than the second half as higher rate deposits roll off and are replaced at a lower rate. Cash AUA at the end of 2020 was £13.6 billion (2019: £10.7bn).

HL Funds consist of 10 Multi-Manager funds, on which the management fee is 75bps per annum, and three Select equity funds, on which the management fee is 60bps. Revenue from these funds has fallen by 7% this year to £63.6 million (2019: £68.3m) due to modest net outflows as we have not actively marketed the Multi-Manager funds whilst the Woodford Equity Income Fund has been suspended combined with their lower market valuations resulting from COVID-19. These fees are collected on a daily basis whereas the Group calculates average AUM on a month end basis, resulting in a headline margin for the period of 73bps (2019: 74bps). Note that the platform fees on these assets are included in the Funds line and hence total average AUA of £100.6 billion (2019: £92.8bn) excludes HL Funds AUM to avoid double-counting. HL Funds AUM at the end of 2020 was £8.0 billion (2019: £9.4bn).

Other revenues are made up of advisory fees, our Funds Library data services, Active Savings and ancillary services such as annuity broking, distribution of Venture Capital Trusts and the Hargreaves Lansdown Currency and Market Services. These revenues are primarily transactional and not impacted by market growth. They declined by 20% in the year mainly because of the disposal of our subsidiary business, FundsLibrary Limited, on 28 February 2020, the removal of various fees such as exit charges and a fall in advisor fees as a result of COVID-19.

Assets held within Active Savings on the platform and the related revenue are not broken out into a separate category in the previous table. As highlighted before, we believe it is strategically imperative to capture the scale advantage of being a first mover. Consequently our focus remains on growing AUA at present. Our chosen route for achieving this in the current low interest rate environment is via reducing our revenue margins to ensure the rates offered on Active Savings are highly competitive. This will attract new clients and assets into the service that we need to capitalise on the opportunity. In addition we have been developing the proposition further and we will be launching a Cash ISA offering soon. This will initially be made available to existing Active Savings clients before we market it more widely. In the coming months we will also add the ability for clients to transfer existing Cash ISAs that they hold elsewhere into Active Savings, which provides a significant opportunity given that UK Cash ISAs total approximately £270 billion. As at 30 June 2020, Active Savings AUA was £2.2 billion. The associated revenue is included in the category "Other", such that the total revenue reconciles back to the income statement.

	Year ended 30 June 2020 £m	Year ended 30 June 2019 £m
Recurring revenue	**404.3**	387.3
Transactional revenue	**140.1**	84.3
Other income	**6.5**	8.9
Total revenue	**550.9**	480.5

The Group's revenues are largely recurring in nature, as shown in the table above. The proportion of recurring revenue has decreased to 73% (2019: 81%) as the transactional stockbroking commission increased significantly in the second half of the year, whilst at the same time lower market values and a reduction in the base rate of interest impacted recurring revenue streams.

Recurring revenue is primarily comprised of platform fees, Hargreaves Lansdown fund management fees, interest on client money, equity holding charges and ongoing advisory fees. It grew by 4% to £404.3 million (2019: £387.3m) due to increased average AUA from continued net new business and higher interest rates earned on client money. Recurring revenues provide greater profit resilience and hence we believe they are of higher quality than non-recurring revenues.

Transactional revenue is primarily made up of stockbroking commission and advisory event-driven fees. This increased by 66% to £140.1 million (2019: £84.3m) with a 95% increase in client driven equity deal volumes being the key driver.

Other revenue is derived from the provision of funds data services and research to external parties through Funds Library. This was down 27% from £8.9 million to £6.5 million as the subsidiary company FundsLibrary Limited was sold on 28 February 2020.

Operating costs

	Year ended 30 June 2020 £m	Year ended 30 June 2019 £m
Staff costs	**101.2**	97.2
Marketing and distribution costs	**23.9**	12.7
Depreciation, amortisation and financial costs	**17.6**	12.4
Other costs	**58.5**	50.3
	201.2	172.6
Total FSCS levy	**13.7**	6.8
Total operating costs	**214.9**	179.4

Operating costs increased by 20% to £214.9 million (2019: £179.4m) to support higher client activity levels, maintain client service and invest in the significant growth opportunities we see ahead for Hargreaves Lansdown. In addition there was a significant increase in regulatory fees relating to the Financial Services Compensation Scheme (FSCS). The growth rate in costs, excluding the FSCS levy, was 17% for the year

Over the past three years we have deliberately invested into our service, marketing capabilities technology, scalability and efficiency as the Group's focus on client service is core to our success and necessary to capture the structural growth opportunity in the UK savings and investments market. This investment has been validated in 2020 by record NNB, record levels of net new clients, increased market shares, attractive client retention rates, the continued development of our product set and growth capabilities and the resilience of our platform through COVID-19.

Key drivers of the cost growth were marketing and distribution, particularly in the second half. These rose by £11.2 million this year as we capitalised on the opportunity to accelerate new client acquisition and invested in our brand awareness campaign. At current revenue margins and activity levels, the £7.7 billion of NNB this generated is equivalent to c£40 million of future annual revenues. Activity based costs also rose by £6.9 million. These are primarily dealing costs linked to the additional £60 million of Shares revenue and debit card fees linked to elevated levels of cash paid onto the platform.

Looking forward we would anticipate that costs will grow broadly in line with the growth of client numbers. Cost growth in 2020 was marginally ahead of this due to the unusual marketing opportunity to acquire new clients and exceptional dealing volume costs.

Staff costs remain our largest expense and rose by 4% to £101.2 million (2019: £97.2m). Average staff numbers increased by 2% from 1,574 in 2019 to 1,599 in 2020 with the key increases being on the Helpdesk and in Operations, in line with higher client activity levels. Hargreaves Lansdown is a growing business and higher client numbers and associated activity levels will continue to require investment in our servicing functions as we look forward. Technology and efficiency programmes improve our scalability, thereby allowing us to invest productivity gains into extending our proposition and our platform functionality. We believe this reinvestment cycle underpins our future growth.

Marketing and distribution costs increased by 88% to £23.9 million (2019: £12.7m). In the first half of the year, spend focused on targeted marketing campaigns for the likes of Active Savings and engagement with existing and target clients around Brexit and the general election. Investor confidence and engagement, however, were low and hence spend was largely held back until the second half when there was a significant increase in client engagement post the general election and the decision on Brexit. This provided a better backdrop for marketing spend and also coincided with the build up to the all-important tax year end period where the UK tends to see significant activity amongst retail investors. In addition, February saw the launch of a brand marketing campaign centred on London and the South-East. The campaign, "Switch your money on", was particularly aimed at the ISA market along with overall brand awareness. This together with our digital marketing expertise, resulted in substantial net new clients of 138,000 for the second half and a total for the year of 188,000.

Depreciation, amortisation and financial costs increased by £5.2 million to £17.6 million. The adoption of IFRS 16 "Leases" meant operating leases relating to the offices of Group companies were brought on to the balance sheet as right of use assets which are now depreciated. The impact of this accounting change was an additional £3.0 million of depreciation in the year. In addition, bank charges increased by £1.5 million as there were significantly more debit card transactions as clients added money to their accounts.

Total capitalised expenditure was £15.9 million this year (2019: £17.1m). This expenditure was from cyclical replacement of IT hardware, the continuing project to enhance the capacity and capability of our key administration systems and the ongoing development of the Active Savings platform.

Other costs rose by £8.2 million to £58.5 million (2019: £50.3m). The key drivers of this were increased computer maintenance and office costs driven by higher employee numbers and additional office space, increased professional fees and irrecoverable VAT on non-staff expenses.

The Financial Services Compensation Scheme (FSCS) levy rebased upwards by £6.9 million or 101% to £13.7 million. This was caused by a combination of a £1.5 million interim levy relating to last year, which was only raised in December 2019, plus a significant increase in the amounts being raised in both the life distribution and investment intermediation categories. Much of our revenue falls into these two categories and with our revenue growth being above the wider market we bear a higher proportion of the amounts being raised. The FSCS is the compensation fund of last resort for customers of authorised financial services firms. All authorised firms are required to contribute to the running of the scheme and the levy reflects the cost of compensation payments paid by the industry in proportion to the amount of each participant's relevant eligible income. At present we anticipate that this levy will continue at a similar level.

Profit before tax

	Year ended 30 June 2020 £m	Year ended 30 June 2019 £m
Operating profit	**337.7**	303.3
Finance income	**2.8**	2.8
Finance costs	**(1.0)**	(0.3)
Underlying profit before tax	**339.5**	305.8
Gain on disposal	**38.8**	-
Profit before tax	**378.3**	305.8
Tax	**(65.1)**	(58.2)
Profit after tax	**313.2**	247.6

The Group's profit before tax grew by 24% to £378.4 million (2019: £305.8m) due to strong trading and a £38.8 million gain from the disposal of FundsLibrary. The Board believes it is important to present an underlying result excluding this disposal gain to assist investors with their understanding of the Group's trading performance. On this basis, underlying profit before tax grew 11% to £339.5 million. Profits after tax grew by 26% to £313.2 million as the effective rate of corporation tax rate decreased to 17.2% (2019: 19.0%).

Tax

The effective tax rate for the year was 17.2% (2019: 19.0%). This was below the standard rate of UK corporation tax as the gain on disposal of FundsLibrary was exempt as it met the conditions of the Substantial Shareholder Exemption. The Group's tax strategy is published on our website at www.hl.co.uk

Earnings per share

	Year ended 30 June 2020 £m	Year ended 30 June 2019 £m
Profit after tax	**313.2**	247.6
Diluted share capital (million)	**474.8**	475.8
Diluted EPS (pence per share)	**65.9**	52.0
Underlying diluted EPS (pence per share)	**57.8**	52.0

Diluted EPS increased by 27% from 52.0 pence to 65.9 pence, reflecting the Group's growth in profit after tax. The Group's Basic EPS was 66.1 pence compared with 52.1 pence in 2019. By removing the profit on disposal of FundsLibrary we arrive at an underlying diluted EPS which has increased by 11% from 52.0 pence to 57.8 pence.

Liquidity and capital management

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

The Group seeks to maintain a strong net cash position and a robust balance sheet with sufficient capital and liquidity to fund ongoing trading and future growth, in line with our strategy of offering a lifelong, secure home for people's savings and investments. The Group has a high conversion rate of operating profits to cash and its net cash position at 30 June 2020 was £462.8 million (2019: £394.0m). Cash generated through trading and the disposal of FundsLibrary Limited more than offset the payments of the 2019 final dividend and the 2020 interim dividend. This includes cash on longer-term deposit and is before funding the 2020 final dividend of £125 million and special dividend of £82 million.

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

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

Capital

	Year ended 30 June 2020 £m	Year ended 30 June 2019 £m
Shareholder funds	**558**	458
Less: goodwill, intangibles and other deductions	**(32)**	(24)
Tangible capital	**526**	434
Less: provision for dividend	**(207)**	(150)
Qualifying regulatory capital	**319**	284
Less: estimated capital requirement	**(180)**	(186)
Estimated surplus	**139**	98

Total attributable shareholders' equity, as at 30 June 2020, made up of share capital, share premium, retained earnings and other reserves increased to £558.3 million (2019: £457.8m) as continued profitability more than offset payment of the 2019 final and special dividends and the 2020 interim dividend. Having made appropriate deductions as shown in the table above, surplus capital amounts to £139 million.

The Group has three subsidiary companies authorised and regulated by the FCA and one subsidiary authorised by the FCA under the Payment Services Regulations 2017. These firms have capital resources at a level which satisfies both their regulatory capital requirements and their working capital requirements and, as a Group, we maintain a robust balance sheet retaining a capital base over and above regulatory capital requirements. Further disclosures are published in the Pillar 3 document on the Group's website at www.hl.co.uk

Dividend policy and 2020 declarations

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

Dividend (pence per share)

	2020	2019
Interim dividend paid	**11.2p**	10.3p
Final dividend declared	**26.3p**	23.4p
Total ordinary dividend	**37.5p**	33.7p
Special dividend	**17.4p**	8.3p
Total dividend	**54.9p**	42.0p

When applying this policy in 2020, the Board has chosen to treat the gain on disposal as distinct from the underlying trading performance of the Group. The Group's total dividend of 54.9 pence per share is therefore made up of the following components:

- A total ordinary dividend of 37.5 pence per share (2019: 33.7p), 11% ahead of last year. This is in line with underlying EPS growth and maintains the ordinary dividend payout ratio at 65% of underlying EPS.
- A special dividend of 17.4 pence per share (2019: 8.3p) made up of two parts.

Firstly, the Board has considered the Group's capital and cash position in light of its stated dividend policy and is recommending 9.2 pence of the special dividend is paid from the underlying earnings of the Group. In effect, this results in 46.7 pence of the total dividend per share being generated from underlying earnings and results in a total dividend payout ratio from underlying earnings of 81%, in line with previous periods.

Secondly, the Board consider the Group to have a robust capital and liquidity position with sufficient resources to fund its current growth and investment requirements. As a result, it has concluded that the gain on disposal of FundsLibrary should be distributed to shareholders and this makes up 8.2 pence of the special dividend.

This results in a total special dividend of 17.4 pence per share and a total 2020 dividend for the year of 54.9 pence per share (2019: 42.0p).

Subject to shareholder approval of the final dividend at the 2020 AGM, the final and special dividends will be paid on 16 October 2020 to all shareholders on the register at the close of business on 25 September 2020.

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

Philip Johnson
Chief Financial Officer
6 August 2020

SECTION 1: RESULTS FOR THE YEAR

Consolidated Income Statement for the year ended 30 June 2020

	Note	**Year ended 30 June 2020**	Year ended 30 June 2019
		£m	£m
Revenue		**550.9**	480.5
Fair value gains on derivatives		**1.7**	2.2
Operating costs	1.3	**(214.9)**	(179.4)
Operating profit		**337.7**	303.3
Finance income	1.5	**2.8**	2.8
Finance costs		**(1.0)**	(0.3)
Other gains	4.1	**38.8**	-
Profit before tax		**378.3**	305.8
Tax	1.7	**(65.1)**	(58.2)
Profit for the financial year		**313.2**	247.6
Attributable to:			
Owners of the parent		**313.1**	247.4
Non-controlling interest		**0.1**	0.2
		313.2	247.6
Earnings per share			
Basic earnings per share (pence)	1.8	**66.1**	52.1
Diluted earnings per share (pence)	1.8	**65.9**	52.0
Underlying basic earnings per share (pence)	1.8	**57.9**	52.1
Underlying diluted earnings per share (pence)	1.8	**57.8**	52.0

The results relate entirely to continuing operations.

Consolidated Statement of Comprehensive Income for the year ended 30 June 2020

	Year ended 30 June 2020	Year ended 30 June 2019
	£m	£m
Profit for the financial year	**313.2**	247.6
Total comprehensive income for the financial year	**313.2**	247.6
Attributable to:		
Owners of the parent	**313.1**	247.4
Non-controlling interest	**0.1**	0.2
	313.2	247.6

1.1 Revenue

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

	Year ended 30 June 2020 £m	Year ended 30 June 2019 £m
Revenue:		
Recurring Revenue		
Platform Fees	**234.4**	228.2
Fund Management Fees	**63.6**	68.3
Ongoing Adviser Fees	**10.2**	11.5
Interest earned on client money	**91.2**	73.5
Renewal commission	**4.9**	5.8
Transactional Revenue		
Fees on stockbroking transactions	**127.3**	67.1
Initial adviser charges	**8.6**	9.1
Other transactional income	**4.2**	8.1
Other Revenue		
Other revenue	**6.5**	8.9
Revenue	**550.9**	480.5

1.2 Segmental reporting

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

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

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

1.3 Operating costs

Operating profit has been arrived at after charging:	**Year ended 30 June 2020 £m**	Year ended 30 June 2019 £m
Depreciation of owned plant and equipment	**8.4**	5.4
Amortisation of other intangible assets	**5.2**	4.6
Marketing and distribution costs	**23.9**	12.7
Operating lease rentals payable – property	**0.1**	3.4
Office running costs – excluding operating lease rentals payable	**4.3**	3.4
FSCS costs	**13.7**	6.8
Other operating costs	**58.1**	45.9
Staff costs	**101.2**	97.2
Operating costs	**214.9**	179.4

1.4 Staff costs

The average monthly number of employees of the Group (including executive Directors) was:	Year ended 30 June 2020 No.	Year ended 30 June 2019 No.
Operating and support functions	**1,175**	1,163
Administrative functions	**424**	411
	1,599	1,574
Their aggregate remuneration comprised:	**£m**	£m
Wages and salaries	**84.9**	79.8
Social security costs	**6.8**	8.5
Share-based payment expenses	**3.6**	3.8
Other pension costs	**10.0**	9.7
Staff costs	**105.3**	101.8
Capitalised in the year	**(4.1)**	(4.6)
Staff costs as a deduction to operating profit	**101.2**	97.2

1.5 Finance income

	Year ended 30 June 2020	Year ended 30 June 2019
	£m	£m
Interest on bank deposits	**2.8**	2.8
	2.8	2.8

1.6 Finance costs

	Year ended 30 June 2020	Year ended 30 June 2019
	£m	£m
Commitment fees	**0.3**	0.3
Interest incurred on lease payables	**0.7**	-
	1.0	0.3

1.7 Tax

	Year ended 30 June 2020 £m	Year ended 30 June 2019 £m
Current tax: on profits for the year	**64.9**	58.4
Current tax: adjustments in respect of prior years	**0.3**	0.1
Deferred tax (note 2.4)	**0.4**	(0.2)
Deferred tax: adjustments in respect of prior years (note 2.4)	**(0.5)**	(0.1)
	65.1	58.2

Corporation tax is calculated at 19% of the estimated assessable profit for the year to 30 June 2020 (2019: 19%).

In addition to the amount charged to the income statement, certain tax amounts have been charged or (credited) directly to equity as follows:

	Year ended 30 June 2020 £m	Year ended 30 June 2019 £m
Deferred tax relating to share-based payments	**0.7**	0.6
Current tax relating to share-based payments	**(0.9)**	(1.0)
	(0.2)	(0.4)

Factors affecting tax charge for the year

It is expected that the ongoing effective tax rate will remain at a rate approximating to the standard UK corporation tax rate in the medium term, except for the impact of deferred tax arising from the timing of exercising of share options which is not under our control. Following the enactment of Finance Act 2020 the standard UK corporation tax rate will now remain at 19% rather than reducing to 17%. Accordingly, the Group's profits for this accounting year are taxed at 19%. Deferred tax has been recognised at 19%, being the rate expected to be in force at the time of the reversal of the temporary difference. This is an increase from the rate of 17% used in the prior year. A deferred tax asset in respect of future share option deductions has been recognised based on the Company's share price as at 30 June 2020.

Factors affecting future tax charge

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

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

	Year ended 30 June 2020 £m	Year ended 30 June 2019 £m
Profit before tax	**378.3**	305.8
Tax at the standard UK corporate tax rate of 19.75% (2019: 20.00%)	**71.9**	58.1
Non-taxable income	**-**	(0.1)
Non-taxable gain on disposal of subsidiary	**(7.4)**	-
Items not allowable for tax	**0.7**	-
Adjustments in respect of prior years	**0.1**	-
Impact of the change in tax rate	**(0.2)**	0.2
Tax expense for the year	**65.1**	58.2
Effective tax rate	**17.2%**	19.0%

1.8 Earnings per share (EPS)

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

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

The weighted average number of anti-dilutive share options and awards excluded from the calculation of diluted earnings per share was nil at 30 June 2020 (2019: nil).

	Year ended 30 June 2020 £m	Year ended 30 June 2019 £m
Earnings		
Earnings for the purposes of basic and diluted EPS - net profit attributable to equity holders of the parent company	**313.1**	247.4
Number of shares		
Weighted average number of ordinary shares	**474,318,625**	474,318,625
Weighted average number of shares held by HL EBT	**(527,322)**	(125,270)
Weighted average number of shares held by HL EBT that have vested unconditionally with employees	**44,555**	382,065
Weighted average number of ordinary shares for the purposes of basic EPS	**473,835,858**	474,575,420
Weighted average number of dilutive share options held by HL EBT that have not vested unconditionally with employees	**989,475**	1,189,428
Weighted average number of ordinary shares for the purposes of diluted EPS	**474,825,333**	475,764,848
Earnings per share	**Pence**	Pence
Basic EPS	**66.1**	52.1
Diluted EPS	**65.9**	52.0
Underlying basic EPS[1]	**57.9**	52.1
Underlying diluted EPS[1]	**57.8**	52.0

1 Underlying earnings are defined as the net profit attributable to equity holders of the parent company allowing for deduction of one off items. For the year ended 30 June 2020 the one-off items deducted are the gains on disposal of FundsLibrary Limited and the related costs.

SECTION 2: ASSETS & LIABILITIES

Consolidated Statement of Financial Position as at 30 June 2020

	Note	At 30 June 2020	At 30 June 2019
		£m	£m
ASSETS			
Non-current assets			
Goodwill		**1.3**	1.3
Other intangible assets		**28.0**	23.0
Property, plant and equipment		**33.2**	16.0
Deferred tax assets	2.4	**3.1**	3.8
		65.6	44.1
Current assets			
Investments	2.1	**0.6**	1.1
Trade and other receivables	2.2	**973.2**	748.6
Cash and cash equivalents	2.3	**235.9**	179.3
Derivative financial instruments		**0.1**	0.1
Current tax assets		**0.7**	-
		1,210.5	929.1
Total assets		**1,276.1**	973.2
LIABILITIES			
Current liabilities			
Trade and other payables	2.5	**696.7**	485.7
Derivative financial instruments		**0.1**	-
Current tax liabilities		**-**	27.5
		696.8	513.2
Net current assets		**513.7**	415.9
Non-current liabilities			
Provisions		**0.8**	0.7
Non-current liabilities	2.5	**1.0**	-
Non-current lease liabilities		**19.9**	-
Total liabilities		**718.5**	513.9
Net assets		**557.6**	459.3
EQUITY			
Share capital		**1.9**	1.9
Shares held by EBT reserve		**(6.4)**	(3.4)
EBT reserve		**(1.9)**	1.5
Retained earnings		**564.6**	457.9
Total equity, attributable to the owners of the parent		**558.3**	457.9
Non-controlling interest		**(0.7)**	1.4
Total equity		**557.6**	459.3

2.1 Investments

	Year ended 30 June 2020 £m	Year ended 30 June 2019 £m
At beginning of year	**1.1**	1.5
Purchases	**-**	-
Disposals	**(0.5)**	(0.4)
At end of year	**0.6**	1.1
Comprising:		
Current asset investment - UK listed securities valued at quoted market price	**0.6**	1.1

£0.6million (2019: £1.1 million) of investments are classified as held at fair value through profit and loss, being deal-related short-term investments.

2.2 Trade and other receivables

	Year ended 30 June 2020 £m	Year ended 30 June 2019 £m
Financial assets		
Trade receivables	**663.8**	461.4
Term Deposits	**230.0**	215.0
Accrued income	**64.6**	59.1
Other receivables	**2.6**	4.5
	961.0	740.0
Non-financial assets		
Prepayments	**12.2**	8.6
	973.2	748.6

In accordance with market practice, certain balances with clients, Stock Exchange member firms and other counterparties totalling £642.0 million (2019: £429.3 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 £865.8 million (2019: £524.8 million) and the gross amount offset in the statement of financial position with trade payables is £223.8 million (2019: £95.5 million). Other than counterparty balances, trade receivables primarily consist of fees and amounts owed by clients and renewal commission owed by fund management groups. There are no balances where there is a legal right of offset but not a right of offset in accordance with accounting standards, and no collateral has been posted for the balances that have been offset.

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

The Group does not have any contract assets in respect of its revenue contracts with customers (2019: nil).

2.3 Cash and cash equivalents

	Year ended 30 June 2020 £m	Year ended 30 June 2019 £m
Cash and cash equivalents		
Group cash and cash equivalent balances	**232.8**	179.0
Restricted cash – balances held by EBT	**3.1**	0.3
	235.9	179.3

At 30 June 2020, segregated deposit amounts held by the Group on behalf of clients in accordance with the client money rules of the Financial Conduct Authority amounted to £7,506 million (2019: £5,398 million). In addition, there were pension trust and currency service cash accounts held on behalf of clients not governed by the client money rules of £6,254 million (2019: £5,424 million). The client retains the beneficial interest in both these deposits and cash accounts, and accordingly, they are not included in the statement of financial position of the Group.

Restricted cash balances relate to the balances held within the HL Employee Benefit Trust. These are strictly held for the purpose of purchasing shares to satisfy options under the Group's share option schemes.

2.4 Deferred tax assets

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

	Fixed assets tax relief	Share-based payments	Other deductible temporary differences	Total
	£m	£m	£m	£m
At 1 July 2017	0.1	3.8	0.2	**4.1**
Charge to income	0.2	0.1	-	**0.3**
Charge to equity	-	(0.6)	-	**(0.6)**
At 30 June 2019	0.3	3.3	0.2	**3.8**
Charge to income	(0.2)	0.3	(0.1)	**-**
Charge to equity	-	(1.2)	0.5	**(0.7)**
At 30 June 2020	0.1	2.4	0.6	**3.1**
Deferred tax expected to be recovered or settled:				
Within 1 year after reporting date	0.1	1.4	0.5	**2.0**
> 1 year after reporting date	-	1.0	0.1	**1.1**
	0.1	2.4	0.6	**3.1**

2.5 Trade and other payables

	Year ended 30 June 2020	Year ended 30 June 2019
	£m	£m
Financial liabilities		
Trade payables	**637.1**	433.9
Accruals	**22.3**	23.8
Current lease liabilities	**3.3**	-
Other payables	**26.3**	19.6
	689.0	477.3
Non-financial liabilities		
Deferred income	**0.4**	1.1
Social security and other taxes	**7.3**	7.3
	696.7	485.7

	Year ended 30 June 2020	Year ended 30 June 2019
	£m	£m
Non-current financial liabilities		
Other payables	**1.0**	-
	1.0	-

In accordance with market practice, certain balances with clients, Stock Exchange member firms and other counterparties totalling £634.8 million (2019: £425.6 million) are included in trade payables, similar to the treatment of trade receivables. As stated in note 2.2 above, where we have a legal right of offset and the ability and intention to settle net, trade payable balances have been presented net.

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

2.6 Long term liabilities

	Year ended 30 June 2020	Year ended 30 June 2019
	£m	£m
Cash and cash equivalents		
Lease liabilities longer than 12 months	**19.9**	-

SECTION 3: EQUITY

Consolidated Statement of Changes in Equity for the year ended 30 June 2020

	Attributable to the owners of the Parent						
	Share capital	Shares held by EBT reserve	EBT reserve	Retained earnings	**Total**	Non-controlling interest	**Total equity**
	£m	£m	£m	£m	**£m**	£m	**£m**
At 1 July 2018	1.9	(3.5)	6.2	399.4	**404.0**	1.2	**405.2**
Total comprehensive income	-	-	-	247.4	**247.4**	0.2	**247.6**
Employee Benefit Trust							
Shares sold in the year	-	15.1	-	-	**15.1**	-	**15.1**
Shares acquired in the year	-	(15.0)	-	-	**(15.0)**	-	**(15.0)**
EBT share sale	-	-	(7.3)	-	**(7.3)**	-	**(7.3)**
Reserve transfer on exercise of share options	-	-	2.6	(2.6)	**-**	-	**-**
Employee share option scheme							
Share-based payments expense	-	-	-	3.8	**3.8**	-	**3.8**
Current tax effect of share-based payments	-	-	-	1.0	**1.0**	-	**1.0**
Deferred tax effect of share-based payments	-	-	-	(0.6)	**(0.6)**	-	**(0.6)**
Dividend paid (Note 3.2)	-	-	-	(190.5)	**(190.5)**	-	**(190.5)**
At 30 June 2019	1.9	(3.4)	1.5	457.9	**457.9**	1.4	**459.3**
Impact of change in accounting policy for adoption of IFRS 16	-	-	-	(3.5)	**(3.5)**	-	**(3.5)**
Revised balance as at 1 July 2019	1.9	(3.4)	1.5	454.4	**454.4**	1.4	**455.8**
Total comprehensive income	-	-	-	313.1	**313.1**	0.1	**313.2**
Change to non-controlling interest	-	-	-	-	**-**	(2.2)	**(2.2)**
Employee Benefit Trust							
Shares sold in the year	-	11.9	-	-	**11.9**	-	**11.9**
Shares acquired in the year	-	(14.8)	-	-	**(14.8)**	-	**(14.8)**
EBT share sale	-	-	(6.2)	-	**(6.2)**	-	**(6.2)**
Reserve transfer on exercise of share options	-	-	2.8	(2.8)	**-**	-	**-**
Employee share option scheme							
Share-based payments expense	-	-	-	3.6	**3.6**	-	**3.6**
Current tax effect of share-based payments	-	-	-	0.9	**0.9**	-	**0.9**
Deferred tax effect of share-based payments	-	-	-	(1.3)	**(1.3)**	-	**(1.3)**
Dividend paid (Note 3.2)	-	-	-	(203.3)	**(203.3)**	-	**(203.3)**
At 30 June 2020	1.9	(6.3)	(1.9)	564.6	**558.3**	(0.7)	**557.6**

3.1 Share capital

	Year ended 30 June 2020 £m	Year ended 30 June 2019 £m
Authorised: 525,000,000 (2019: 525,000,000) ordinary shares of 0.4p each	**2.1**	2.1
Issued and fully paid: ordinary shares of 0.4p each	**1.9**	1.9
	Shares	Shares
Issued and fully paid: number of ordinary shares of 0.4p each	**474,318,625**	474,318,625

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

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

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

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

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

3.2 Dividends

Amounts recognised as distributions to equity holders in the year:

	Year ended 30 June 2020 £m	Year ended 30 June 2019 £m
2019 final dividend of 23.4p (second interim dividend 2018: 22.1p) per share	**110.9**	104.7
2019 special dividend of 8.3p (2018: 7.7p) per share	**39.3**	37.0
2020 interim dividend of 11.2p (2019: 10.3p) per share	**53.1**	48.8
Total dividends paid during the year	**203.3**	190.5

After the end of the reporting period, the Directors declared a final ordinary dividend of 26.3 pence per share and a special dividend of 17.4 pence per share payable on 16 October 2020 to shareholders on the register on 25 September 2020. 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 2020 financial statements as follows:

	£m
2020 final dividend of 26.3p (2019 final dividend: 23.4p) per share	**124.6**
2020 special dividend of 17.4p (2019 special dividend: 8.3p) per share	**82.4**
Total dividend	**207.0**

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

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

	Year ended 30 June 2020 No. of shares	Year ended 30 June 2019 No. of shares
Number of shares held by the Hargreaves Lansdown EBT	**571,856**	387,684
Representing % of called-up share capital	**0.12%**	0.08%

SECTION 4: CONSOLIDATED STATEMENT OF CASH FLOWS

Consolidated Statement of Cash Flows for the year ended 30 June 2020

	Note	**Year ended 30 June 2020 £m**	Year ended 30 June 2019 £m
Net cash from operating activities			
Profit for the year after tax		**313.2**	247.6
Adjustments for:			
Income tax expense		**65.1**	58.2
Gain on disposal of subsidiary		**(38.8)**	-
Depreciation of plant and equipment		**8.4**	5.4
Amortisation of intangible assets		**5.2**	4.6
Share-based payment expense		**3.6**	3.9
Interest accrued on lease liabilities		**0.7**	-
Increase in provisions		**0.1**	-
Operating cash flows before movements in working capital		**357.5**	319.7
Increase / (decrease) in receivables		**(209.6)**	(128.4)
(Decrease) / increase in payables		**208.9**	121.0
Increase in derivative liabilities		**0.1**	-
Cash generated from operations		**356.9**	312.3
Income tax paid		**(91.5)**	(50.8)
Net cash generated from operating activities		**265.4**	261.5
Investing activities			
(Increase) / decrease in short-term deposits		**(15.0)**	7.0
Proceeds on disposal of investment		**0.5**	0.4
Purchase of property, plant and equipment		**(5.8)**	(7.6)
Purchase of intangible assets		**(10.1)**	(9.5)
Proceeds on disposal of subsidiary		**38.2**	-
Net cash generated from / (used in) investing activities		**7.8**	(9.7)
Financing activities			
Purchase of own shares in EBT		**(14.8)**	(15.0)
Proceeds on sale of own shares in EBT		**5.8**	7.7
Payment of principal in relation to lease liabilities		**(4.3)**	-
Dividends paid to owners of the parent		**(203.3)**	(190.5)
Net cash used in financing activities		**(216.6)**	(197.8)
Net increase / (decrease) in cash and cash equivalents		**56.6**	54.0
Cash and cash equivalents at beginning of year	2.3	**179.3**	125.3
Cash and cash equivalents at end of year	2.3	**235.9**	179.3

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

4.1 Disposal of subsidiary

On 28 February 2020 the group disposed of its interest in FundsLibrary Limited (FundsLibrary) to Broadridge Financial Solutions Inc. The group held 78% of the total share capital of FundsLibrary Limited and received £48.8m for its holding. As part of the half-year report dated 31 December 2019, the assets of FundsLibrary Limited were shown as held for sale on the balance sheet. The carrying amount of the assets and liabilities of FundsLibrary Limited at the date of disposal were as follows:

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

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

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

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

Section 5: OTHER NOTES

5.1 General information

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

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

Basis of preparation

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

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

These results do not represent the audited full financial statements of the Group.

Going concern

The Group maintains ongoing forecasts that indicate continued profitability in the 2020 financial year. Stress test scenarios are undertaken, the outcomes of which show that the Group has adequate capital resources for the foreseeable future even in adverse economic conditions. The Group's business is highly cash generative with a low working capital requirement; indeed, the forecast cash flows show that the Group will remain highly liquid in the forthcoming financial year. The Directors therefore believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook. After making enquiries, the Directors' expectation is that the Group will have adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of the Group Financial statements. Accordingly, they continue to adopt the going concern basis in preparing this preliminary results statement.

5.2 Related Party Transactions

The Company has a related party relationship with its subsidiaries, and with its Directors and members of the Executive Committee (the "key management personnel"). Transactions between the Company and its key management personnel are disclosed below. Details of transactions between the Company and other related parties are also disclosed below.

Trading transactions
The Company entered into the following transactions with Directors within the Hargreaves Lansdown Group and related parties who are not members of the Group:

During the years ended 30 June 2020 and 30 June 2019, the Company has been party to a lease with P K Hargreaves, a significant shareholder and former director, for rental of the old head office premises at Kendal House. A ten-year lease was signed on 6 April 2011 for a rental of part of the building, to be used for disaster recovery purposes at a market rate rent of £0.1 million per annum. No amount was outstanding at either year end.

During the years ended 30 June 2020 and 30 June 2019, 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 2020 £m	Year ended 30 June 2019 £m
Short-term employee benefits	10.3	5.9
Post-employment benefits	0.2	0.1
Share-based payments	2.2	2.3
	12.7	8.3

In addition to the amounts above, four key management personnel (2019: eight) received gains of £0.6 million (2019: £1.6 million) as a result of exercising share options. During the year, awards were made under the executive option schemes for 9 key management personnel (2019: 10).

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

	Year ended 30 June 2020 £m	Year ended 30 June 2019 £m
Short-term employee benefits	**4.7**	1.4
Share-based payments	**0.6**	0.9
	5.3	2.3

In addition to the amounts above, Directors of the Company received gains of £0.2 million relating to the exercise of share options (2019: £0.2 million).

	Year ended 30 June 2020 £m	Year ended 30 June 2019 £m
Emoluments of the highest paid Director	**2.7**[1]	0.6[1]
	No.	No.
Number of Directors who exercised share options during the year	**1**	1
Number of Directors who were members of money purchase pension schemes	**1**	1

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

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

Section 6: STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the group and parent company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

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

Directors' confirmations

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

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

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

By order of the Board

Philip Johnson
Chief Financial Officer
6 August 2020

Executive Directors

Chris Hill
Philip Johnson

Non-Executive Directors

Deanna Oppenheimer
Fiona Clutterbuck
Shirley Garrood
Dan Olley
Roger Perkin
Stephen Robertson
John Troiano

Section 7: PRINCIPAL RISKS AND UNCERTAINTIES

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

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

Strategic risks

Propositions and services				
Risk	**Potential impact**	**Mitigations**	**Key risk indicators**	**2019/20 activity**
Risk that HL does not provide the proposition and services required to achieve HL's strategy and purpose.	• Erosion of shareholder value • Negative impact on achievement of AUA and client number strategic targets • Negative impact on our reputation as an innovative market leader	• The Executive team and Board discuss strategy in the context of propositional design and service enhancement on a regular basis • Dedicated proposition/client experience team • Client testing workshops • Product governance process • An operational plan is in place prioritising development	• NNB v forecast • Net Promoter Score • Client Retention • Service rating • Complaints • Risk Events	• Launched additional Segregated Mandate capability in HL Fund Managers • Continued development of Active Savings proposition • Launch of Wealth shortlist

Technology				
Risk	**Potential impact**	**Mitigations**	**Key risk indicators**	**2019/20 activity**
Risk that HL fails to manage and maintain existing technological architecture, environments or components.	• Inability to maintain operational • efficiency • Increased costs • Poor client outcomes • Reputational damage	• IT Architecture Plan • Rolling internal and external monitoring of IT environment • Operational Plan, including prioritisation of IT development • Integration of the development capacity from HL Tech in Poland	• System availability • Status of critical projects • Core system monitoring • System patching status	• Continued development and evolution of our core architecture • Platform security improvements

Reputational				
Risk	**Potential impact**	**Mitigations**	**Key risk indicators**	**2019/20 activity**
The risk that negative publicity, public perception or uncontrollable events have an adverse impact on HL's reputation.	• Reduced AUA and AUM • Negative impact on HL revenue • Erosion of shareholder value	• Reputational risk is embedded within all the principal risks and uncertainties, and is considered within the relevant mitigations and controls • PR function, including access to external advisors	• NNB • Client attrition • NPS	• Management of the Woodford Equity Income Fund suspension, engagement with clients and external stakeholders • Response to the COVID-19 pandemic

Performance of markets				
Risk	**Potential impact**	**Mitigations**	**Key risk indicators**	**2019/20 activity**
Risk that HL fails to respond effectively to relevant market or environmental changes leading to the inability to attract or retain clients in line with strategic expectations, or a negative impact on revenue, resulting in erosion of shareholder value	• Reduced AUA and AUM • Negative impact on HL revenue	• The Group's business model comprises both recurring platform revenue and transaction-based revenue • A high proportion of the Assets Under Administration are held within tax-advantaged wrappers, meaning there is a lower risk of withdrawal • Finance Executive Committee, Treasury Committee & Finance Reporting • The Group has established a COVID-19 working group focused on mitigating business and client impacts from the pandemic. • Liquidity policy and associated controls oversight	• Interest rates • FTSE 100	• Ongoing discussion in the Executive Committee

Legal and regulatory risks

Regulation				
Risk	**Potential impact**	**Mitigations**	**Key risk indicators**	**2019/20 activity**
Risk that required regulatory change is not implemented to regulatory expectations or requirements.	• Regulatory breaches • Increased regulatory scrutiny, censure or fines • Missed opportunities to achieve competitive advantage	• Compliance Plan • Group Operating Plan • Change Committee meets monthly to review and challenge progress of regulatory change projects designed to ensure business readiness • The Compliance function performs horizon checking to ensure the Group has timely visibility of future regulatory change • Dialogue with the FCA	• Volume of new outputs from regulatory bodies • Number of regulatory change projects • Number of regulatory breaches	• Ongoing CASS environment review and improvement activities • Projects completed: SMCR and PSD2 • Reprioritisation of change portfolio within Operating Plan • Set up of combined assurance framework • Established Crisis Management committee to oversee response to COVID-19

Conduct risks

Client Outcomes				
Risk	**Potential impact**	**Mitigations**	**Key risk indicators**	**2019/20 activity**
Risk that HL's culture and the HL Values fail to support and encourage appropriate client focused conduct by all colleagues, leading to poor conduct.	• Poor client outcomes • Reputational damage • Regulatory scrutiny • Negative impact on the achievement of our growth targets	• Business plans linked to Colleague Surveys • Senior Management meet monthly to oversee and drive client experience, people and culture related activity • Regular Conduct Risk MI, discussed at the Product Governance Committee	• Glassdoor rating • Employee surveys • Client Survey results • Colleague Retention • Complaints • Colleague attrition rate	• Quarterly 'Town hall' Communications sessions • Leadership group restructured and developed • Establishment of a Corporate & Social Responsibility programme • Established a business led diversity, inclusion and wellbeing programme of activity • Updated Performance Development • model

Operational risks

Operational delivery				
Risk	**Potential impact**	**Mitigations**	**Key risk indicators**	**2019/20 activity**
Risk that HL fails to design or implement appropriate policies, processes or technology.	• Incorrect or inefficient delivery of activities • Regulatory or policy breaches • Poor client outcomes • Financial losses including compensation • Reputational damage	• Group Risk Management Framework • Ongoing first line of defence monitoring of controls, control testing and self-assessment • Process manuals and process mapping • Operational MI • Control focus at key governance forums, including; CASS Committee, Operations Risk & Control Committee, Executive Risk Committee, Risk Committee	• Risk events • Best Execution monitoring • Third Party breaches • Complaints • Helpdesk call quality • Employee retention rates	• Embedding of a Process Framework model • Process improvements across operational functions leading to a significant reduction in errors, complaints and breaches

People				
Risk	**Potential impact**	**Mitigations**	**Key risk indicators**	**2019/20 activity**
Risk that HL fails to attract, retain, develop and motivate great people who are aligned to HL Values.	• Operational inefficiency or poor conduct • Poor client outcomes • Reputational damage	• Performance and Reward Committee • FCA Conduct Rules (SMCR) • Code of Conduct • Senior management meet monthly to oversee and drive client experience, people and culture related activity	• Employee retention rates • Employee absence monitoring	• Updated contingency planning for key roles • Implementation of new internal communication plan • Review and update of key HR policies in light of COVID-19 • Development of Leadership group and capabilities

Financial crime and data protection				
Risk	**Potential impact**	**Mitigations**	**Key risk indicators**	**2019/20 activity**
Risk that HL fails to design or implement appropriate frameworks, including policies, processes or technology, to counter HL being used to further financial crime.	• Loss of data • Poor client outcomes (including fraud) • Negative impact on confidence in HL • Diminish the integrity of the financial system	• Dedicated Chief Information Security Officer and team, and a Security Operations Centre focused on the detection, containment, and remediation of information security threats • Dedicated Information Security, Anti Money Laundering and Client Protection teams in place • Formal policies and procedures and a robust, rolling risk-based programme of penetration and vulnerability testing in place	• Fraud monitoring • Cyber threat assessment • Time taken to address security vulnerabilities	• A programme of training and awareness • Expansion of the Security Operations Centre • Continuous cycle of cyber control improvements

Glossary of Alternative Financial Performance Measures

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

Measure	Calculation	Why we use this measure
Dividend pay-out ratio (%)	The total dividend per share divided by the basic Earnings Per Share (EPS) for a financial year.	Provides a measure of the level of profits paid out to shareholders and the level retained in the business.
Dividend per share (pence per share)	Total dividend payable relating to a financial year divided by the total number of shares eligible to receive a dividend. Note ordinary shares held in the Hargreaves Lansdown Employee Benefit Trust have agreed to waive all dividends (see Note 3.2 to the consolidated financial statements).	Dividend per share is pertinent information to shareholders and investors and provides them with the ability to assess the dividend yield of the Hargreaves Lansdown plc shares.
Operating profit margin	Profits after deducting operating costs but the impact of finance income and other gains or losses divided by revenue.	Provides a measure of profitability of the core operating activities and excludes non-core items.
Percentage of recurring revenue (%)	The total value of renewal commission (after deducting loyalty bonuses), platform fees, management fees and interest earned on client money divided by the total Vantage 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.
Revenue margin (bps)	Total revenue divided by the average value of assets under administration which includes the Portfolio Management Services assets under management held in funds on which a platform fee is charged.	Provides the most comparable means of tracking, over time, the margin earned on the assets under administration and is used by management to assess business performance.
Revenue margin from cash (bps)	Revenue from cash (net interest earned on the value of client money held on the Vantage platform divided by the average value of assets under administration held as client money.	Provides a means of tracking, over time, the margin earned on cash held by our clients.
Revenue margin from funds (bps)	Revenue derived from funds held by clients (platform fees, initial commission less loyalty bonus) divided by the average value of assets under administration held as funds, which includes the Portfolio Management Services assets under management held in funds on which a platform fee is charged.	Provides the most comparable means of tracking, over time, the margin earned on funds held by our clients.
Revenue margin from HL Funds (bps)	Management fees derived from HL Funds (but excluding the platform fee) divided by the average value of assets held in the HL Funds.	Provides a means of tracking, over time, the margin earned on HL Funds.
Revenue margin from shares (bps)	Revenue from shares (stockbroking commissions, management fees where shares are held in a SIPP or ISA, less the cost of dealing errors) divided by the average value of assets under administration held as shares.	Provides a means of tracking, over time, the margin earned on shares held by our clients.
Underlying profit before tax	Profit before tax excluding other gains outside of the normal course of business.	Provides the best measure for comparison of profit before tax between financial years.
Underlying earnings	Profit after tax adjusted for the existence other gains outside of the normal course of business, such as the disposal of subsidiaries.	The calculation of earnings per share using unadjusted profit after tax includes gains from transactions that are no repeated annually or that may not indicate the true performance of the business.
Recurring revenue	Revenue that is received every month depending on the value of assets held on the platform, including platform fee, management fees and interest earned on client money.	We believe recurring revenue provides greater profit resilience and hence is of higher quality than non-recurring revenue.
Transactional revenue	Revenue that is non-recurring in nature and dependent on a client instruction such as a deal to buy or sell shares or take advice.	Such revenue is not as high quality as recurring revenue but helps to show the diversification of our revenue streams.
Underlying basic earnings per share	Underlying earnings divided by the weighted average number of ordinary shares for the purposes of basic EPS	The calculation of basic earnings per share using unadjusted profit after tax includes those gains that are not consistent from year to year
Underlying diluted earnings per share	Underlying earnings divided by the weighted average number of ordinary shares for the purposes of diluted EPS	The calculation of diluted earnings per share using unadjusted profit after tax includes those gains that are not consistent from year to year