Hargreaves Lansdown plc
Results for the year ended 30 June 2018

Highlights:

- Net new business of £7.6 billion
- Strong growth in Assets Under Administration, up 16% to £91.6 billion
- 1,091,000 active clients, an increase of 137,000 in the year
- Profit before tax increase of 10% to £292.4 million
- Total dividend up 38% at 40.0 pence per share

	Year to 30 June 2018	Year to 30 June 2017	**Change %**
Net new business inflows	**£7.6bn**	£6.9bn	**+10%**
Total assets under administration	**£91.6bn**	£79.2bn	**+16%**
Net revenue*	**£447.5m**	£385.6m	**+16%**
Profit before tax	**£292.4m**	£265.8m	**+10%**
Diluted earnings per share	**49.6p**	44.6p	**+11%**
Ordinary dividend per share	**32.2p**	29.0p	**+11%**
Total dividend per share	**40.0p**	29.0p	**+38%**

Chris Hill, Chief Executive Officer, commented:

"We have had another year of strong growth, in client numbers, net new business, market share and profits, driven by our continued commitment to provide excellent levels of service. Our continued investment into our people, technology and marketing helps our clients to engage with their savings and investments. This provides them with the knowledge and confidence to make decisions and our range of solutions makes it easy for them to act. We have a huge responsibility to help more than a million clients at a time when they have never needed our help more, and we are uniquely well positioned to provide them with the solutions they need.

I am pleased we have been able do all of this whilst also reinstating a special dividend to shareholders, resulting in a 38% increase in the final dividend."

About us:

Hargreaves Lansdown is the UK's largest direct to investor investment service administering £91.6 billion of investments for over 1,090,000 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.

Contacts:

Hargreaves Lansdown

For media enquiries:
Danny Cox, Head of Communications
+44(0)117 317 1638
Chris Hill, Chief Executive Officer

For analyst enquiries:
James Found, Head of Investor Relations
+44(0)117 988 9898
Philip Johnson, Chief Financial Officer

Analysts' presentation

Hargreaves Lansdown will be hosting an investor and analyst presentation at 10:00am on 7 August 2018 following the release of the results for the year ended 30 June 2018. To attend the presentation contact james.found@hl.co.uk. Slides accompanying the analyst presentation will be available this morning at www.hl.co.uk/investor-relations and an audio recording of the analyst presentation will be available by close of business on the day.

***Alternative financial performance measures**

Included in this announcement are various alternative performance measures used by the Company in the course of explaining the results for the year to 30 June 2018. These measures are listed along with the calculations to derive them and an explanation of why we use them on page 28 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

I am proud to report another year where we have delivered strong growth at Hargreaves Lansdown. Our strategy is built around excellent client service, empowering people to save and invest with confidence and 2018 saw significant progress with its ongoing delivery. We consciously invested in developing our proposition, platform, people and service levels. The benefit of this investment is already coming through in our continued growth in client numbers, net new business, market share and profits, allowing us to reinstate the special dividend this year for our shareholders.

Market opportunity

Last year, we outlined the significant structural growth opportunity that we have at Hargreaves Lansdown. Society has significant challenges in the UK, with a £314 billion[1] savings gap, a greater need for self-provision over a longer period as life expectancy has extended, and a complex set of government incentives and tax allowances to navigate. People need to take charge of their money and manage it over a longer period, and yet savings and investments are becoming more complicated. Clients need help and they want solutions, not just information. They want to feel valued and supported by their chosen financial services providers, from whom they increasingly expect the same service levels as they get in other walks of life. Our platform, combined with our scale, knowledge, expertise and client focus, uniquely positions us to provide the solutions required and capitalise on this opportunity.

Our clients are at the heart of everything we do

I have never worked in a business as client-focused as Hargreaves Lansdown. We have a direct relationship with over one million clients, and we are part of daily life and routine for many of them. This is a tremendous privilege and one that I am determined we cherish and nurture.

Our strategy is based on the delivery of excellent client service through our interactions with our clients and the solutions that we offer on our platforms. We want to be a household name, known as the best place for savers and investors in the UK. A place where people are empowered to save and invest with confidence.

We interact with our clients in many different ways of their choosing. We have a market leading app and website, great platform technology, a well-trained and knowledgeable Helpdesk and a dedicated Operations team. We set ourselves high standards and are clear that delivering excellent client service and high retention levels is at the core of our strategy. We were particularly pleased to be rated by Which? as the best platform for customer service, efficient administration, online functionality, online tools and guidance and information on investments, as well as the best platform overall[2] (Which?, June 2018).

Investing in our clients

Our analysis tells us that the key driver to helping people to invest is building their understanding and confidence. We are always looking to build on our range of solutions, make them appropriate for different groups of clients, and then use our scale to deliver value. This approach spans the whole spectrum from our sophisticated investors to those just starting out. Our Wealth 150 selection has performed well for those clients who use it, providing insightful knowledge and research to support fund selection. The list is up 54% per cent over the past five years and, as the FCA noted during the year, recommended fund lists drive value for clients because they tend to have both better performance and lower asset manager fees, with an average discount of 10-15bps negotiated by us for our clients. We have added new funds where we see client demand which is matched by a credible solution. Clients do not favour UK investment at present, and flows have been directed towards Global funds. We added the Jupiter Global Value Equity Fund and were able to secure our clients an exclusive saving of 42bps off the headline rate. We have also reinvested in price where we feel we need to remain competitive, such as on overseas share trading where we reduced foreign exchange transaction costs in May 2018.

At the less confident end of the investing spectrum, Portfolio Plus, which helps clients to get invested via a tailored range of multi manager funds according to their risk appetite, went past £1 billion in assets under administration this year. This is an impressive achievement in just three years since its launch, showing the value to clients of an easy solution. We have introduced an even simpler offering with the help of Legal and General, called Simply Invest. This enables clients who are starting out on their investment journey to get UK market exposure through a passive fund which charges just 4bps. Combined with our platform charge, this means that their all-in cost is less than 50bps. We provide upfront information and monthly educational tutorials to these clients, aimed at improving their investment knowledge and confidence. Over time, these clients can then choose their own routes to invest across the entire range of solutions that we offer.

In December 2017, we launched our cash marketplace, Active Savings, extending our service into this important asset class. This solution gives clients access to a wide range of banks' savings products at competitive rates within a couple of clicks. It is revolutionary in the way it makes it so easy and efficient for people to manage their cash savings alongside their investments in one place. In the current interest rate environment, the appeal of cash as an asset class is relatively limited but we are using this time to develop the proposition further and we will add more banks, deposit periods and tax wrappers as we move forward.

Investing in our competitive advantage

Our investment is targeted to maintain and improve the client experience, which relies upon constant development of our offering supported by excellent service levels. Through this we are able to provide clients with the knowledge to make decisions, the confidence regardless of investment expertise and the opportunity to save and invest easily and efficiently. We stimulate and support all of this engagement and create a lifelong relationship with our clients by investing into our sources of competitive advantage, being our people, our technology and our marketing.

Our people

Our people are crucial to our success and are the backbone of our service offering. We have a talented and diverse population at Hargreaves Lansdown and are investing proactively in their futures. Our HR team is delivering increased training and development to our colleagues, driving better engagement scores in our staff surveys and improving tenure. We have also rolled out a management training programme to modernise and adapt in our main service functions, delivering a 15% productivity uplift on the Helpdesk and a 25% uplift in Operations. This enhanced productivity means we can support our ongoing growth whilst ensuring we have the time to help our clients.

Our technology

Hargreaves Lansdown has a deserved reputation for providing easy to use, safe and secure and always-on technology. It is a competitive advantage to own and operate our bespoke platform and 2018 has been an extremely busy year. We have had an unprecedented period of regulatory change to manage, with the implementation of MiFID II and GDPR. We also chose to upgrade our security login procedures to make them easier for clients and more robust at a time of ever rising cyber threat. These were three of the largest code releases that we have ever done and involved all of our operating systems. I am proud with how seamlessly these developments have gone, because it demonstrates the quality of our planning, our people and our commitment to delivering exceptional service to clients at all times.

We are focused on providing smarter, faster and more convenient digital experiences for clients as they use our mobile and online platforms. Service matters here too, and we use Net Ease Scores to understand how we can develop and drive numerous small operational and technological changes to benefit clients. For example, putting the W8BEN (a mandatory tax form) for overseas share trading online, has led to an increase in the number of clients trading. We have also made changes to the transfer process that mean 35% of all clients initiating transfers can experience the efficiency of a fully online process. Not only does this benefit clients, but it reduces the numbers of paper forms that we have to process.

We have also added significant new skills to our technology team with the opening of HL Tech, our IT development hub, in Warsaw, where we now have over 50 talented professionals focused on transforming and upgrading our technology capabilities. Whilst it is still early, having seen first-hand the work that the team is doing, I am hugely encouraged by the potential for HL Tech to contribute to our future scalability and client proposition.

Our marketing

One of the highlights of the year for me was reaching a million active clients in November 2017. This was a huge milestone for us at Hargreaves Lansdown. Over the whole year, we welcomed 137,000 new clients, 16% more than last year, with many of them transferring from other platforms due to the higher service levels that we offer. By 30 June, we had reached nearly 1.1 million active clients and have continued to take market share. Over the past 12 months, the direct platform market Assets Under Administration (AUA) increased 9% whilst our AUA grew by 16%, and our market share rose by 1.3% to 39.1%[3]. Our share of the execution only stockbroking market is also up, by 1.7% to 31.3%[4].

In 2018, we delivered record net new business of £7.6 billion and saw our AUA grow to over £90 billion. This increasing size of client base powers our growth, as our clients transfer assets from other providers onto the platform and take advantage of their annual ISA and pension allowances to invest more through us. For example, 70% of our ISA clients made a new ISA contribution this year (a four-year high) with 23% of ISA investors using their maximum allowance. Our gross new business comes evenly from transfers and new money, and mostly from our existing client base. This is why client service and client focus are so important.

Our clients value the increasingly personalised communication, content and guidance that we provide and we continue to develop and focus our approach in response to developments in the digital market. In February 2018, we rebranded our content and platform to create a new, clean visual identity. This provides a base for us to tailor our look, feel and tone of voice when we interact with groups of clients and we constantly analyse digital processes to make them smarter, faster and more convenient. In one case, we noted that groups of clients approaching retirement were struggling to find and understand the income from their investments. We added the income tab to My Accounts and Dealing and the Net Ease Score moved from 0% to over 50%.

Client Retention levels are the ultimate judge of how good a job we are doing for our clients. These remained high in 2018 at 94.3% and our Net Promoter Score[SM 5] (NPS), although down on last year is again very high for a financial services firm at 50.3%. We can measure NPS at various levels and have made encouraging progress in targeted areas during the year. For example, Managing Income NPS grew from 31% to 43% after the implementation of the income tab as mentioned above and our mobile app NPS grew from 32% to 61% off the back of its relaunch in February 2017. This matters as mobile is now the most popular way for clients to interact with us and now accounts for 67% of all logins, up from 50% last year.

Campaigning on behalf of our clients

We continue to campaign on behalf of our clients to protect their interests. For example, in March 2018 we won our 'discount tax' challenge with HMRC which should mean that £15 million is returned to investors. HMRC is appealing and we are not likely to have the final decision until 2019.

We have worked with HM Treasury on the ongoing development of the new Lifetime ISA and a ban on cold calling to reduce the risk of pension fraud. We are campaigning to give employees more control over their workplace pensions and improve access to pensions for the self-employed.

FCA Investment Platforms Market Study

The interim findings from the FCA's Investment Platforms Market Study were published on 16 July 2018. We welcome the proposed remedies which are reflective of our own core values of putting the client first, going the extra mile, making it easy, doing the right thing and doing it better. The FCA cited the need to make transfers easier and Hargreaves Lansdown is already at the forefront of this, chairing the industry's working group. We hope that the study's focus on switching will enable a faster and more straightforward process. We also believe helping customers to compare and contrast platform services and fees, and making it easier for them to switch between providers, will lead to healthier competition which in turn should promote greater engagement amongst clients across the entire industry. We look forward to working with the FCA on this Study.

Board changes

We have seen a considerable year of transition at the plc board level, and I am pleased to welcome Deanna Oppenheimer as Chair, and Roger Perkin and Fiona Clutterbuck as independent Non-Executive Directors. They bring with them a wide variety of external experience and perspectives and I am looking forward to their contribution to our future success. I am also grateful to Mike Evans and Christopher Barling, who have now left the board but were a key part of our journey for many years.

Conclusion and outlook

I am proud to be leading a business that has its clients at the heart of how it operates. We are a market leader, looking after the savings and investments of nearly 1.1 million individuals; a huge responsibility at a time when people need more help than ever. We take this responsibility very seriously.

Brexit is on the horizon and the prevailing political and economic turbulence is having an effect on investor confidence. However, we believe that continuing to place our clients at the centre of what we do and establishing a lifelong relationship with them will enable us to continue to build share in a growing market. Our expertise and client service are rightly respected, and I believe the strength and scale of our business means we can continue to develop our offering to the benefit of all our stakeholders in the future.

I would like to thank our clients for their continued support and recommendation and I would also like to recognise my colleagues for their hard work and commitment. Not only have they continued to deliver the levels of client service for which Hargreaves Lansdown is recognised in the face of significant increases in activity, but they have also delivered solutions to new regulatory requirements alongside continuing to improve and expand the services which will underpin our future growth.

Chris Hill

Chief Executive Officer
6 August 2018

1 "Mind the Gap" (Aviva and Deloitte, September 16)
2 Source: Which? Money, Best and Worse Investment Platforms (June 2018)
3 Source: Platforum UK D2C Guide (July 2018)
4 Source: Compeer Limited XO Quarterly Benchmarking Report Quarter 1 2018
5 Net Promoter, NPS and the NPS-related emoticons are registered service marks and Net Promoter Score and Net Promoter Systems are service marks of Bain & Company Inc., Satmetrix Systems, Inc. and Fred Reichheld.

Operating and Financial Review

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

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

	Year ended 30 June 2018 £bn	Year ended 30 June 2017 £bn
Opening AUA	**79.2**	61.7
Underlying net new business	**7.6**	6.9
Market growth & other	**5.9**	10.6
Founder transfers[1]	**(1.1)**	-
Closing AUA	**91.6**	79.2

1. Underlying net new business excludes the transfer off the Vantage platform of £902 million of Hargreaves Lansdown plc shares and the withdrawal of £188 million of Hargreaves Lansdown plc placing proceeds that were held by a founder.

Net new business for the year totalled a record £7.6 billion. This was driven by increased client numbers and continued wealth consolidation onto our platform. We also benefited from significant transfer activity relating to operational issues on competitor platforms, which shows the benefit of our strong reputation for client service. Our increased focus on digital marketing has been key in winning new clients and engaging with existing ones, ensuring we become integral to their lives in terms of saving and investing for the future.

During the year to 30 June 2018 we introduced 137,000 net new clients to our services and grew our active client base a further 14% to 1,091,000. This increased client size underpins future growth as clients add new money to their accounts, particularly through the use of annual tax allowances in the SIPP and ISA. Over a period of time, clients also typically consolidate their investments through transfers onto our platform.

Total AUA increased by 16% to £91.6 billion as at 30 June 2018 (£79.2 billion as at 30 June 2017). This was driven by £7.6 billion of NNB, higher market levels, which added a further £5.9 billion and offset by £1.1 billion of transfers off our platform by one of our founders.

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 94.3% and 93.4% respectively.

Financial performance

Income Statement

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Net revenue	**447.5**	385.6
Operating costs	**(158.7)**	(126.7)
Fair value gains on derivatives	**2.3**	2.2
Non-operating income	**1.5**	4.7
Finance costs	**(0.2)**	-
Profit before tax	**292.4**	265.8
Tax	**(55.7)**	(53.8)
Profit after tax	**236.7**	212.0

2018 was another strong year as profit before tax grew by a further 10% to £292.4 million

Net revenue

Total net revenue for the year was £447.5 million, up 16% (2017: £385.6 million), driven by higher asset levels and increased client share dealing activity. Within this, the proportion of recurring revenue remained stable at 77% (2017: 77%).

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

	Year ended 30 June 2018			Year ended 30 June 2017		
	Net revenue £m	**Average AUA £bn**	**Net revenue margin bps**	Net revenue £m	Average AUA £bn	Net revenue margin bps
Funds[1]	**198.0**	**48.4[6]**	**41**	169.2	40.9[6]	41
Shares[2]	**89.6**	**28.3**	**32**	76.3	23.3	33
Cash[3]	**42.1**	**8.8**	**48**	36.6	7.5	49
HL Funds[4]	**67.2**	**9.1[6]**	**74**	56.5	7.7[6]	73
Other[5]	**50.6**	-	**-**	47.0	-	-
Double-count[6]	**-**	**(9.1)[6]**	-	-	(7.7)[6]	-
Total	**447.5**	**85.5[6]**	-	385.6	71.7[6]	-

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. This is included in revenue on Funds.
5 Advisory fees, Funds Library revenues and ancillary services (e.g. annuity broking, distribution of VCTs and Hargreaves Lansdown Currency and Market Services).
6 HL Funds AUM included in Funds AUA for platform fee and in HL Funds for annual management charge. Total average AUA excludes HL Fund AUM to avoid double-counting.

Net revenue on Funds increased by 17% to £198.0 million (2017: £169.2m) due to AUA growth from net new business and higher market levels. Funds remain our largest client asset class at 56% of average AUA (2017: 57%), and the net revenue margin earned on these this year was 41bps (2017: 41bps). Net revenue margins on Funds have been broadly stable following the completion of RDR and we continue to expect them to remain at similar levels over the next 12 months. Funds AUA at the end of 2018 was £51.0 billion (2017: £45.7bn).

Net revenue on Shares increased by 17% to £89.6 million (2017: £76.3m) and the net revenue margin was 32bps (2017: 33bps), within our expected range of 27bps to 33 bps. The impact of higher equity dealing volumes, up 8% on the prior year, has been offset by a marginally slower rate of growth in management fees versus stockbroking revenue leading to a slight margin decline. Management fees for shares charged in the SIPP and Stocks and Share ISA accounts are capped once holdings are above £44,444 in the SIPP and £10,000 in the ISA. This also causes some dilution to the margin over time as clients grow their portfolio of shares. Shares account for 34% of the average AUA (2017: 32%). Following a foreign exchange transaction cost reduction in overseas trading we continue to expect the margin on Shares to be centred around 30bps over the next 12 months, with a range around this depending on actual dealing volume levels. Shares AUA at the end of 2018 was £31.0 billion (2017: £25.4bn).

Net revenue on Cash increased by 15% to £42.1million (2017: £36.6m) as increased cash levels offset a slight decline in the net interest margin to 48bps (2017: 49bps). This was in line with our communicated expectations at the Interim results announced in February 2018 that margins would be within a 40 to 50bps range. Cash accounts for 10% of the average AUA (2017: 11%). At the start of the year the Bank of England base rate was 0.25% before being increased to 0.50% in November 2017. 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. Following the base rate change to 0.75% on 2 August 2018 and assuming no further rate changes, we anticipate the cash interest margin for the 2019 financial year will be in the range of 60bps to70bps. Cash AUA at the end of 2018 was £9.6 billion (2017: £8.1bn).

HL Funds consist of ten Multi-Manager funds, on which the management fee is 75bps per annum, and two Select equity funds launched in December 2016 and March 2017, on which the management fee is 60bps. Net revenue from these funds has grown by 19% this year to £67.2 million (2017: £56.5m) thanks to higher market levels and continued net inflows. 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 74bps (2017: 73bps). Note that the platform fees on these assets are included in the Funds line and hence total average AUA of £85.5 billion (2017: £71.7 billion) excludes HL Funds AUM to avoid double-counting. HL Funds AUM at the end of 2018 was £9.6 billion (2017: £8.8bn).

Other revenues are made up of advisory fees, our Funds Library data services and ancillary services such as annuity broking, distribution of VCTs and the Hargreaves Lansdown Currency and Market Services. These revenues are primarily transactional and grew by 7%.

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Net recurring revenue	**344.9**	296.9
Transactional revenue	**94.0**	81.2
Other income	**8.6**	7.5
Total net revenue	**447.5**	385.6

The Group's revenues are largely recurring in nature, as shown in the table above, with the proportion of net recurring revenues remaining constant at 77% (2017: 77%). Net recurring revenue is primarily comprised of platform fees, Hargreaves Lansdown fund management fees, interest on client money, equity holding charges and ongoing advisory fees. This grew by 16% to £344.9 million (2017: £296.9 million) due to increased average AUA from higher market levels and continued net new business. 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 grew by 16% to £94.0 million (2017: £81.2 million) with an 8% increase in 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 up 15% from £7.5 million to £8.6 million driven by new MiFID II services, additional contract wins and targeted price increases.

Operating costs

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Staff costs	**87.4**	68.6
Marketing and distribution costs	**16.3**	14.3
Depreciation, amortisation and financial costs	**10.3**	9.0
Other costs	**41.2**	30.6
	155.2	122.5
Total FSCS levy	**3.5**	4.2
Total operating costs	**158.7**	126.7

Operating costs increased by 25% to £158.7 million (2017: £126.7 million) to support higher client activity levels, maintain client service and invest in the significant growth opportunities we see ahead for Hargreaves Lansdown.

As highlighted in last year's results, we consciously and significantly increased our investment in people, digital marketing and technology during the second half of the 2017 financial year as we believe the Group's focus on client service is core to our success as a business and necessary to position us to capture the structural growth opportunity in the UK savings and investments market. This investment has continued throughout this year and has been validated by the strong net new business levels and net new clients we have seen across the past 12 months, high client retention rates and continued development of our product set and growth capabilities during the period. We have also had to cope with an unprecedented level of regulatory changes whilst investing to increase efficiency and maintain the future scalability of our platform.

Staff costs remain our largest expense and rose by 27% to £87.4 million (2017: £68.6 million). Average staff numbers increased by 34% from 1,043 in 2017 to 1,398 in 2018 with the key increases being in Technology, including the build out of HL Tech in Warsaw, on the Helpdesk and in Operations, in line with higher client activity levels, and Marketing. 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 14% to £16.3 million (2017: £14.3 million) as we continued the conscious investment in our digital marketing presence and targeted marketing campaigns for tax year end, cash back mailings, the Lifetime ISA, Active Savings, and our Retirement Services. Use of mobile and digital media remains a key strategic focus of how we engage with existing and potential new clients and as we gain a deeper understanding of client segmentation and our proposition we have refined and improved the effectiveness of the spend. Following significant research and testing, we launched our updated brand and new visual identity on 10 February 2018 and took the opportunity to expand and develop our tone of voice to complement our broader reach at the same time. Feedback has been positive and this should help to improve client engagement and drive the profile of Hargreaves Lansdown.

Depreciation, amortisation and financial costs increased by £1.3 million as a result of higher capital spend in recent years, primarily on our core in-house IT systems, hardware and software for increased employee numbers and the Active Savings platform.

Total capitalised expenditure was £16.1 million this year (2017: £13.1 million). This expenditure was from cyclical replacement of IT hardware, the continued project to enhance the capacity and capability of our key administration systems, the ongoing development of Active Savings and the fit out of the office for HL Tech in Warsaw.

Other costs rose by £10.6 million to £41.2 million (2017: £30.6 million). The key drivers of this were additional dealing costs resulting from higher share dealing transaction volumes, increased computer maintenance and office costs driven by higher employee numbers, increased professional fees relating to strategic initiatives and regulatory projects and irrecoverable VAT on non-staff expenses.

The Financial Services Compensation Scheme (FSCS) levy decreased by 19% to £3.5 million, however, it should be noted that last year benefited from £1.3 million of rebate received relating to the previous year's charge. The FSCS is the compensation fund of last resort for customers of authorized financial services firms. All authorised firms are required to contribute to the running of the scheme and the levy reflects the cost of compensation payments paid by the industry in proportion to the amount of each participant's relevant eligible income.

Profit before tax

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Operating profit	**291.1**	261.1
Finance income	**1.5**	1.2
Finance costs	**(0.2)**	-
Other gains	**-**	3.5
Profit before tax	**292.4**	265.8
Tax	**(55.7)**	(53.8)
Profit after tax	**236.7**	212.0

Hargreaves Lansdown's success is built around the service we provide to our clients. This resulted in record net new business levels of £7.6 billion, a 16% increase in revenues and AUA reaching new highs of £91.6 billion. This has allowed us to consciously increase headcount to ensure we deliver the expected high service standards, while dealing with record volumes of business and investing in further growth opportunities. This investment is key to driving future growth and ensuring we have a scalable operating platform which we believe will be to the benefit of both clients and shareholders across the market cycle. As a result, the Group has grown profit before tax by 10% to £292.4 million (2017: £265.8m) and profits after tax grew by 12% to £236.7 million due to the reduction in the headline statutory corporation tax rate.

Tax

The effective tax rate for the year was 19.0% (2017: 20.2%), in line with the standard rate of UK corporation tax. The Group's tax strategy is published on our website at www.hl.co.uk.

Earnings per share

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Profit after tax	**236.7**	212.0
Diluted share capital (million)	**475.4**	475.0
Diluted EPS (pence per share)	**49.6**	44.6

Diluted EPS increased by 11% from 44.6 pence to 49.6 pence, reflecting the Group's growth in profit after tax. The Group's basic EPS was 49.7 pence compared with 44.7 pence in 2017.

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 2018 was £343.5 million (2017: £255.9 million) as cash generated through trading offset the payments of the 2017 final dividend and the 2018 interim dividend. This includes cash on longer term deposit and is before funding the 2018 final dividend of £104.7 million and special dividend of £37.0 million.

During the period, the Group entered into 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 incredible service, for example through using surplus liquidity to allow same day switching between products that have mismatched settlement dates.

Capital

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Shareholder funds	**404**	307
Less: goodwill, intangibles and other deductions	**(24)**	(19)
Tangible capital	**380**	288
Less: provision for dividend	**(142)**	(97)
Qualifying regulatory capital	**238**	191
Less: estimated capital requirement	**(159)**	(133)
Estimated surplus	**79**	58

Total attributable shareholders' equity, as at 30 June 2018, made up of share capital, share premium, retained earnings and other reserves increased to £404.0 million (2017: £306.9m) as continued profitability and the Board's decision to retain additional capital resources following the reassessment of the Group's regulatory capital requirements by the FCA in August 2017 more than offset payment of the 2017 final dividend and the 2018 interim dividend. After having made appropriate deductions as shown in the table above, surplus capital amounts to £79 million.

The Group has five subsidiary companies authorised and regulated by the Financial Conduct Authority. 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 2018 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)

	2018	2017
First interim dividend paid	**10.1p**	8.6p
Final/second interim dividend declared	**22.1p**	20.4p
Total ordinary dividend	**32.2p**	29.0p
Special dividend	**7.8p**	-
Total dividend	**40.0p**	29.0p

Reflecting this policy the Board has declared a 2018 total ordinary dividend of 32.2 pence per share (2017: 29.0p), 11% ahead of last year. This is in line with EPS growth and maintains the ordinary dividend payout ratio at 65%. In addition the Board has declared a special dividend of 7.8 pence per share (2017: nil). The 2018 total dividend of 40.0 pence per share (2017: 29.0p) is up 38% and results in a total dividend payout ratio of 80.6% (2017: 65%). Subject to shareholder approval of the final dividend at the 2018 AGM, the final and special dividends will be paid on 19 October 2018 to all shareholders on the register at the close of business on 28 September 2018.

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.

Assessment Process Viability Statement

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

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

Philip Johnson
Chief Financial Officer
6 August 2018

SECTION 1: RESULTS FOR THE YEAR

Consolidated Income Statement for the year ended 30 June 2018

	Note	**Year ended 30 June 2018**	Year ended 30 June 2017
		£m	£m
Revenue		**447.6**	385.7
Commission payable		**(0.1)**	(0.1)
Net revenue		**447.5**	385.6
Fair value gains on derivatives		**2.3**	2.2
Operating costs	1.3	**(158.7)**	(126.7)
Operating profit		**291.1**	261.1
Finance income	1.5	**1.5**	1.2
Finance costs		**(0.2)**	-
Other gains and losses	1.6	**-**	3.5
Profit before tax		**292.4**	265.8
Tax	1.7	**(55.7)**	(53.8)
Profit for the financial year		**236.7**	212.0
Attributable to:			
Owners of the parent		**236.3**	211.7
Non-controlling interest		**0.4**	0.3
		236.7	212.0
Earnings per share			
Basic earnings per share (pence)	1.8	**49.7**	44.7
Diluted earnings per share (pence)	1.8	**49.6**	44.6

The results relate entirely to continuing operations.

Consolidated Statement of Comprehensive Income for the year ended 30 June 2018

	Year ended 30 June 2018	Year ended 30 June 2017
	£m	£m
Profit for the financial year	**236.7**	212.0
Total comprehensive income for the financial year	**236.7**	212.0
Attributable to:		
Owners of the parent	**236.3**	211.7
Non-controlling interest	**0.4**	0.3
	236.7	212.0

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 2018 £m	Year ended 30 June 2017 £m
Revenue:		
Revenue from services	**405.5**	349.1
Interest earned on client money	**42.1**	36.6
Total revenue	**447.6**	385.7
Commission payable	**(0.1)**	(0.1)
Net revenue	**447.5**	385.6

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 and Fund & Share accounts, 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.

The Group operates in more than one geographic location, having opened an office in Warsaw, Poland, within the year. The activities of this office are not material to the group, with the purpose of the office being to provide support to the IT and development teams, based in the UK. Given that all revenue is within the group the impact on the P&L is £nil (2017: £nil). As such no information of the separate geographic elements is presented.

1.3 Operating costs

Operating profit has been arrived at after charging:	**Year ended 30 June 2018 £m**	Year ended 30 June 2017 £m
Depreciation of owned plant and equipment	**4.4**	3.8
Amortisation of other intangible assets	**3.4**	2.3
Marketing and distribution costs	**16.3**	14.3
Operating lease rentals payable – property	**2.9**	2.5
Other operating costs	**44.3**	35.2
Staff costs	**87.4**	68.6
Operating costs	**158.7**	126.7

1.4 Staff costs

	Year ended 30 June 2018	Year ended 30 June 2017
The average monthly number of employees of the Group (including executive Directors) was:	**No.**	No.
Operating and support functions	**1,006**	709
Administrative functions	**392**	334
	1,398	1,043
Their aggregate remuneration comprised:	**£m**	£m
Wages and salaries	**71.2**	55.3
Social security costs	**7.8**	6.6
Share-based payment expenses	**3.6**	4.1
Other pension costs	**8.1**	5.3
Staff costs	**90.7**	71.3
Capitalised in the year	**(3.3)**	(2.7)
Staff costs as a deduction to operating profit	**87.4**	68.6

1.5 Finance income

	Year ended 30 June 2018	Year ended 30 June 2017
	£m	£m
Interest on bank deposits	**1.5**	1.0
Dividends from equity investment	**-**	0.2
	1.5	1.2

1.6 Finance costs

	Year ended 30 June 2018	Year ended 30 June 2017
	£m	£m
Commitment fees	**0.2**	-
	0.2	-

1.7 Other gains and losses

	Year ended 30 June 2018	Year ended 30 June 2017
	£m	£m
Gain on disposals of available-for-sale investment	**-**	3.7
Gain on disposal of subsidiary	**-**	0.1
(Loss on disposal of office equipment)	**-**	(0.3)
	-	3.5

1.8 Tax

	Year ended 30 June 2018	Year ended 30 June 2017
	£m	£m
Current tax: on profits for the year	**56.0**	52.4
Current tax: adjustments in respect of prior years	**0.2**	1.6
Deferred tax (note 2.4)	**(0.4)**	(0.4)
Deferred tax: adjustments in respect of prior years (note 2.4)	**(0.1)**	0.1
Deferred tax: adjustments due to changes in tax rates	**-**	0.1
	55.7	53.8

Corporation tax is calculated at 19.00% of the estimated assessable profit for the year to 30 June 2018 (2017: 19.75%).

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

	Year ended 30 June 2018	Year ended 30 June 2017
	£m	£m
Deferred tax relating to share-based payments	**(1.6)**	0.9
Current tax relating to share-based payments	**(1.1)**	(1.5)
	(2.7)	(0.6)

Factors affecting tax charge for the year

It is expected that the ongoing effective tax rate will remain at a rate approximating to the standard UK corporation tax rate in the medium term except for the impact of deferred tax arising from the timing of exercising of share options which is not under our control. The standard UK corporation tax rate was reduced to 19% (from 20%) on 1 April 2018 and accordingly the Group's profits for this accounting year are taxed at an effective rate of 19%. Deferred tax has been recognised at 19% or 17%, being the rates expected to be in force at the time of the reversal of the temporary difference. A deferred tax asset in respect of future share option deductions has been recognised based on the Company's share price as at 30 June 2018.

Factors affecting future tax charge

Any increase or decrease to the Parent Company's share price will impact the amount of tax deduction available in future years on the value of shares acquired by staff under share incentive schemes. The Finance Act 2015 was enacted on 18 November 2015 and has reduced the standard rate of UK corporation tax to 19% from 1 April 2018 and to 18% from 1 April 2020. A planned reduction in the rate to 17% from 2020, was enacted on 1 April 2018.

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

	Year ended 30 June 2018	Year ended 30 June 2017
	£m	£m
Profit before tax	**292.4**	265.8
Tax at the standard UK corporate tax rate of 19.75% (2017: 20.00%)	**55.6**	52.5
Non-taxable income	**(0.2)**	(0.7)
Items not allowable for tax	**0.1**	0.2
Adjustments in respect of prior years	**0.2**	1.7
Impact of the change in tax rate	**-**	0.1
Tax expense for the year	**55.7**	53.8
Effective tax rate	**19.0%**	20.2%

1.9 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 2018 (2017: 1,213,461).

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Earnings		
Earnings for the purposes of basic and diluted EPS - net profit attributable to equity holders of the parent company	**236.3**	211.7
Number of shares		
Weighted average number of ordinary shares	**474,318,625**	474,318,625
Weighted average number of shares held by HL EBT	**(328,053)**	(926,356)
Weighted average number of shares held by HL EBT that have vested unconditionally with employees	**439,127**	1,010,585
Weighted average number of ordinary shares for the purposes of basic EPS	**474,429,699**	474,402,854
Weighted average number of dilutive share options held by HL EBT that have not vested unconditionally with employees	**984,793**	562,587
Weighted average number of ordinary shares for the purposes of diluted EPS	**475,414,492**	474,965,441
Earnings per share	**Pence**	Pence
Basic EPS	**49.7**	44.7
Diluted EPS	**49.6**	44.6

SECTION 2: ASSETS & LIABILITIES

Consolidated Statement of Financial Position as at 30 June 2018

	Note	**At 30 June 2018** £m	At 30 June 2017 £m
ASSETS			
Non-current assets			
Goodwill		**1.3**	1.3
Other intangible assets		**18.1**	11.9
Property, plant and equipment		**13.8**	11.7
Deferred tax assets	2.4	**4.1**	2.0
		37.3	26.9
Current assets			
Trade and other receivables	2.2	**627.2**	628.8
Cash and cash equivalents	2.3	**125.3**	81.4
Investments	2.1	**1.5**	4.1
Derivative financial instruments		**0.2**	0.3
		754.2	714.6
Total assets		**791.5**	741.5
LIABILITIES			
Current liabilities			
Trade and other payables	2.5	**364.7**	411.5
Derivative financial instruments		**0.1**	0.2
Current tax liabilities		**20.8**	21.5
		385.6	433.2
Net current assets		**368.6**	281.4
Non-current liabilities			
Provisions		**0.7**	0.6
Total liabilities		**386.3**	433.8
Net assets		**405.2**	307.7
EQUITY			
Share capital		**1.9**	1.9
Shares held by EBT reserve		**(3.5)**	(7.0)
EBT reserve		**6.2**	7.9
Retained earnings		**399.4**	304.1
Total equity, attributable to the owners of the parent		**404.0**	306.9
Non-controlling interest		**1.2**	0.8
Total equity		**405.2**	307.7

2.1 Investments

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
At beginning of year	**4.1**	1.0
Purchases	**-**	3.4
Disposals	**(2.6)**	(0.3)
At end of year	**1.5**	4.1
Comprising:		
Current asset investment - UK listed securities valued at quoted market price	**1.5**	4.1

£1.5 million (2017: £4.1 million) of investments are classified as held at fair value through profit and loss, being deal-related short-term investments and holdings in the HL multi-manager funds as a result of the daily box position.

At 30 June 2018 £nil (2017: £0.3 million) are classified as available-for-sale. During the year, the investment previously held as available-for-sale, was sold for £4.0 million. This led to a gain of £3.7 million, with the investment previously having been held at cost, which has been recognised in the consolidated income statement in the year (see Note 1.6).

2.2 Trade and other receivables

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Financial assets		
Trade receivables	**348.5**	401.1
Term Deposits	**222.0**	180.0
Other receivables	**4.2**	1.5
	574.7	582.6
Non-financial assets		
Accrued income	**45.8**	40.0
Prepayments	**6.7**	6.2
	627.2	628.8

In accordance with market practice, certain balances with clients, Stock Exchange member firms and other counterparties totalling £327.1 million (2017: £378.6 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 £417.3 million (2017: £483.4 million) and the gross amount offset in the statement of financial position with trade payables is £90.2 million (2017: £104.8 million). Other than counterparty balances, trade receivables primarily consist of fees and amounts owed by clients and renewal commission owed by fund management groups. There are no balances where there is a legal right of offset but not a right of offset in accordance with accounting standards, and no collateral has been posted for the balances that have been offset.

2.3 Cash and cash equivalents

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Cash and cash equivalents		
Restricted cash – balances held by EBT	**3.8**	5.5
Group cash and cash equivalent balances	**121.5**	75.9
	125.3	81.4

At 30 June 2018, 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 £9,645 million (2017: £8,243 million). In addition there were currency service cash accounts held on behalf of clients not governed by the client money rules of £22.5 million (2017: £13.4 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% or 17%, 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 2016	0.2	2.4	0.1	**2.7**
Charge to income	(0.3)	0.3	0.2	**0.2**
Charge to equity	-	(0.9)	-	**(0.9)**
At 30 June 2017	(0.1)	1.8	0.3	**2.0**
Charge to income	0.2	0.4	(0.1)	**0.5**
Charge to equity	-	1.6	-	**1.6**
At 30 June 2018	0.1	3.8	0.2	**4.1**
Deferred tax expected to be recovered or settled:				
Within 1 year after reporting date	0.1	1.6	-	**1.7**
> 1 year after reporting date	-	2.2	0.2	**2.4**
	0.1	3.8	0.2	**4.1**

2.5 Trade and other payables

	Year ended 30 June 2018	Year ended 30 June 2017
	£m	£m
Financial liabilities		
Trade payables	**327.4**	375.5
Social security and other taxes	**8.7**	8.0
Other payables	**14.1**	13.1
	350.2	396.6
Non-financial liabilities		
Accruals	**13.6**	14.3
Deferred income	**0.9**	0.6
	364.7	411.5

In accordance with market practice, certain balances with clients, Stock Exchange member firms and other counterparties totalling £324.6 million (2017: £374.9 million) are included in trade payables, similarly with the treatment of trade receivables. As stated in Note 2.2 above, where we have a legal right of offset and the ability and intention to settle net, trade payable balances have been presented net.

Other payables principally comprise amounts owed to staff as a bonus and rebates due to the regulated funds operated by the Group. Accruals and deferred income principally comprise amounts outstanding for trade purchases and revenue received but not yet earned on corporate pension schemes, where an ongoing service is still being provided.

SECTION 3: EQUITY

Consolidated Statement of Changes in Equity for the year ended 30 June 2018

	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 2016	1.9	(14.9)	12.0	254.7	**253.7**	0.5	**254.2**
Total comprehensive income	-	-	-	211.7	**211.7**	0.3	**212.0**
Employee Benefit Trust							
Shares sold in the year	-	10.8	-	-	**10.8**	-	**10.8**
Shares acquired in the year	-	(2.9)	-	-	**(2.9)**	-	**(2.9)**
EBT share sale	-	-	(6.6)	-	**(6.6)**	-	**(6.6)**
Reserve transfer on exercise of share options	-	-	2.5	(2.5)	**-**	-	**-**
Employee share option scheme							
Share-based payments expense	-	-	-	4.1	**4.1**	-	**4.1**
Current tax effect of share-based payments	-	-	-	1.5	**1.5**	-	**1.5**
Deferred tax effect of share-based payments	-	-	-	(0.9)	**(0.9)**	-	**(0.9)**
Dividend paid (Note 3.2)	-	-	-	(164.5)	**(164.5)**	-	**(164.5)**
At 30 June 2017	1.9	(7.0)	7.9	304.1	**306.9**	0.8	**307.7**
Total comprehensive income	-	-	-	236.3	**236.3**	0.4	**236.7**
Employee Benefit Trust							
Shares sold in the year	-	12.1	-	-	**12.1**	-	**12.1**
Shares acquired in the year	-	(8.6)	-	-	**(8.6)**	-	**(8.6)**
EBT share sale	-	-	(4.4)	-	**(4.4)**	-	**(4.4)**
Reserve transfer on exercise of share options	-	-	2.7	(2.7)	**-**	-	**-**
Employee share option scheme							
Share-based payments expense	-	-	-	3.5	**3.5**	-	**3.5**
Current tax effect of share-based payments	-	-	-	1.1	**1.1**	-	**1.1**
Deferred tax effect of share-based payments	-	-	-	1.6	**1.6**	-	**1.6**
Dividend paid (Note 3.2)	-	-	-	(144.5)	**(144.5)**	-	**(144.5)**
At 30 June 2018	1.9	(3.5)	6.2	399.4	**404.0**	1.2	**405.2**

3.1 Share capital

	Year ended 30 June 2018	Year ended 30 June 2017
	£m	£m
Authorised: 525,000,000 (2017: 525,000,000) ordinary shares of 0.4p each	**2.1**	2.1
Issued and fully paid: ordinary shares of 0.4p each	**1.9**	1.9
	Shares	Shares
Issued and fully paid: number of ordinary shares of 0.4p each	**474,318,625**	474,318,625

The Company has one class of ordinary shares which carry no right to fixed income.
The Shares held by the EBT reserve represents the cost of shares in Hargreaves Lansdown plc purchased in the market and held by the Hargreaves Lansdown plc EBT to satisfy options under the Group's share option schemes.

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

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

3.2 Dividends

Amounts recognised as distributions to equity holders in the year:

	Year ended 30 June 2018	Year ended 30 June 2017
	£m	£m
2017 final dividend of 20.4p (second interim dividend 2016: 16.3p) per share	**96.7**	77.0
2017 special dividend of nil (2016: 9.9p) per share	**-**	46.8
2018 first interim dividend of 10.1p (2017: 8.6p) per share	**47.8**	40.7
Total dividends paid during the year	**144.5**	164.5

After the end of the reporting period, the Directors declared a final ordinary dividend of 22.1 pence per share and a special dividend of 7.8 pence per share payable on 19 October 2018 to shareholders on the register on 28 September 2018. 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 2019 financial statements as follows:

	£m
2018 final dividend of 22.1p (2017 final dividend: 20.4p) per share	**104.7**
2018 special dividend of 7.8p (2017 special dividend: nil) per share	**37.0**
Total dividend	**141.7**

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 2018	Year ended 30 June 2017
	No. of shares	No. of shares
Number of shares held by the Hargreaves Lansdown EBT	**413,604**	917,011
Representing % of called-up share capital	**0.09%**	0.18%

SECTION 4: CONSOLIDATED STATEMENT OF CASH FLOWS

Consolidated Statement of Cash Flows for the year ended 30 June 2018

	Note	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Net cash from operating activities			
Profit for the year after tax		**236.7**	212.0
Adjustments for:			
Income tax expense		**55.7**	53.8
Gains on disposal of investments		**-**	(3.5)
Depreciation of plant and equipment		**4.4**	3.8
Amortisation of intangible assets		**3.4**	2.3
Impairment of intangible assets		**-**	1.2
Share-based payment expense		**3.6**	4.1
Increase in provisions		**0.1**	0.1
Operating cash flows before movements in working capital		**303.9**	273.8
Increase / (decrease) in receivables		**43.7**	168.2
(Decrease) / increase in payables		**(46.9)**	(170.2)
Net movements on derivative settlement		**-**	(0.1)
Cash generated from operations		**300.7**	271.7
Income tax paid		**(55.9)**	(44.7)
Net cash generated from operating activities		**244.8**	227.0
Investing activities			
Increase in short-term deposits		**(42.0)**	(180.0)
Proceeds on disposal of investment		**2.6**	2.7
Purchase of property, plant and equipment		**(6.5)**	(4.7)
Purchase of intangible assets		**(9.6)**	(8.4)
Purchase of investments		**-**	(3.4)
Net cash used in investing activities		**(55.5)**	(193.8)
Financing activities			
Purchase of own shares in EBT		**(8.6)**	(2.9)
Proceeds on sale of own shares in EBT		**7.7**	4.2
Dividends paid to owners of the parent		**(144.5)**	(164.5)
Net cash used in financing activities		**(145.4)**	(163.2)
Net increase / (decrease) in cash and cash equivalents		**43.9**	(130.0)
Cash and cash equivalents at beginning of year	2.3	**81.4**	211.4
Cash and cash equivalents at end of year	2.3	**125.3**	81.4

Section 5: OTHER NOTES

5.1 General information

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

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

Basis of preparation

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

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

Going concern

The Group maintains ongoing forecasts that indicate continued profitability in the 2019 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 2018 and 30 June 2017, 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 2018 and 30 June 2017, 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 2018 £m	Year ended 30 June 2017 £m
Short-term employee benefits	**9.0**	7.7
Post-employment benefits	**0.2**	0.1
Termination benefits	**-**	-
Share-based payments	**1.7**	2.0
	10.9	9.8

In addition to the amounts above, eight key management personnel (2017: seven) received gains of £1.9 million (2017: £1.2 million) as a result of exercising share options. During the year, awards were made under the executive option schemes for 10 key management personnel (2017: zero).

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 2018 £m	Year ended 30 June 2017 £m
Short-term employee benefits	**4.0**	3.7
Share-based payments	**0.5**	1.1
	4.5	4.8

In addition to the amounts above, Directors of the Company received gains of £0.2 million relating to the exercise of share options (2017: £0.6 million).

	Year ended 30 June 2018 £m	Year ended 30 June 2017 £m
Emoluments of the highest paid Director	**2.4**[1]	1.7[1]
	No.	No.
Number of Directors who exercised share options during the year	**1**	2[2]
Number of Directors who were members of money purchase pension schemes	**1**	2[2]

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

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

Section 6: STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

The Directors are 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 2018

Executive Directors

Chris Hill
Philip Johnson

Non-Executive Directors

Deanna Oppenheimer
Fiona Clutterbuck
Shirley Garrood
Roger Perkin
Stephen Robertson
Jayne Styles

Section 7: PRINCIPAL RISKS AND UNCERTAINTIES

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

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

Strategic & emerging risks				
Risk	**Potential impact**	**Mitigations**	**Key risk indicators**	**2017/18 activity**
Failure to provide propositions and services to deliver strategic objectives We fail to provide propositions and services to the market to meet the demands of our clients and prospective clients negatively impacting our strategic objectives	Negative impact on achievement of AUA and client number strategic targets. It is likely this would have a 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 Satisfaction • Client Retention • Complaints	• Launch of the Active Savings proposition • Launch of Simply Invest • Regular capture and analysis of client feedback through a number of mediums, including customer surveys, real time questionnaires and Net Promoter Score
Inappropriate IT architecture to support strategic growth of the business Our IT solutions are unable to support our client growth objectives and achieve efficiency targets.	This could result in a poor experience for clients due to an inability to provide accurate and efficient processing of business and transactional experience.	• IT Architecture Plan • Rolling internal and external monitoring of IT environment • Operational Plan, including prioritisation of IT development • Expanded Development capability through establishing an IT development hub in Poland.	• System availability • Status of critical projects	• New HL Tech business in Warsaw, Poland, increasing our IT development capability • Continued development and evolution of our core architecture • Platform security improvements

Legal and Regulatory Risk				
Risk	**Potential impact**	**Mitigations**	**Key risk indicators**	**2017/18 activity**
Ineffective management and delivery of all Regulatory change to our Business Failure to deliver regulatory change on time or to the required standard and the impact of the volume of regulatory change on the business	Non-compliance with regulation. Missed opportunities to achieve competitive advantage through the approach to implementation	• Compliance plan • Prioritisation through the 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 scanning to ensure the Group has timely visibility of future regulatory change • Ongoing dialogue with our regulator	• Volume of new regulations / consultations / discussion papers • Number of regulatory change projects	• Delivery of MiFID II, GDPR and PSD2 projects • Ongoing CASS environment review and improvement activities • Initiated project on SMCR

Conduct Risk				
Risk	**Potential impact**	**Mitigations**	**Key risk indicators**	**2017/18 activity**
Negative client outcomes That our culture loses client centricity in relation to service provision and propositional design and/or that it ceases to be innovative in the market and deliver the appropriate services as promised to our clients	This could result in poor client outcomes that also prevent the achievement of our growth targets	• Refresh of Values & behaviours with strong client focus • 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 Executive Risk Committee	• Net Promoter Score • Client Satisfaction • Client Retention • Complaints • Dealing errors • Colleague turnover rate	• Conduct Risk Workshops with Senior Management and local management teams • Embedding the Conduct Risk policy, associated KRIs and the product development framework • New Performance Development model

Operational risks				
Risk	**Potential impact**	**Mitigations**	**Key risk indicators**	**2017/18 activity**
Poor performance of our operational control environment Our clients suffer from poor levels of client service or that the business experiences a material error in delivering to our clients due to weaknesses in the operational control environment	This could result a poor experience for clients, and/or regulatory considerations from the FCA or other regulatory bodies.	• Group Risk management Framework • Process manuals and process mapping • Operational MI • Ongoing 1st line of Defence monitoring of Controls • 1st line control testing and self-assessment and certification of risk by senior management (attestations) • Control focus at key governance forums, including; CASS Committee, Operations Risk & Control Committee, Executive Risk Committee, Risk Committee and Audit Committee	• Complaints • Manual Dealing errors • Client Retention • Risk events • Process efficiency and effectiveness statistics	• Implementation of a revised Process Framework model • Process efficiency improvements, including process management and process design. • Review and enhancement of risk materials and controls detail • New resource planning solution embedded • Selection of a Risk Tool, deployed in H1 2018
Insufficient Business Continuity and Disaster Recovery solutions Physical business continuity event or catastrophic loss of systems, or other external event could cause disruption to our business and result in inability to perform core business activities or reduction in client service	Inability to service customer needs and severe reputational damage if not properly managed	• Business Continuity and Disaster Recovery plans tested regularly • Dual hosting of all critical servers, telecommunications and applications • Separate business continuity/disaster recovery site available 24/7	• Performance of BCP & DR tests	• Upgrade of our HL-owned Disaster Recovery site improving functionality • Review of desks provided by Third Party Recovery site, ensuring sufficient capacity • Testing of BCP and DR solutions
Maintenance of a robust financial crime, data protection, and cybercrime control environment Failure to protect against cybercrime, fraud or security breaches	Loss of data or inability to maintain our systems resulting in client detriment and reputational damage. Fraudulent activity leading to identity fraud and/or loss of customer holdings to fraudulent activity. Whilst this risk receives continuous investment and a high level of focus, and Hargreaves Lansdown maintains a strong and ever-improving cyber control environment, the risk is seen as increasing due to the scale and sophistication of cyber criminals	• 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 • A Security Operations Centre focused on the detection, containment, and remediation of information security threats	• Volume of internal process breaches(anti-money laundering, data protection and cyber security) • Number of attempted fraud events • Security breaches at 3rd Parties which impact us • Client account takeover attempts • Distributed Denial of Service attacks • Cyber intrusion attempts • Regular AML monitoring and reporting	• A programme of training and awareness • Expansion of the Security Operations Centre • Continuous cycle of cyber control improvements

Financial risks				
Risk	**Potential impact**	**Mitigations**	**Key risk indicators**	**2017/18 activity**
Performance of markets Fluctuations in capital markets may adversely affect trading activity and/or the value of the Group's Assets Under Administration or management, from which we derive revenues	Downturns in the market and resultant drops in AUA and AUM will have a negative impact on Hargreaves Lansdown revenue	• The Group 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	• Interest rates • FTSE100	• Ongoing discussion in Exco and Executive Risk Committee as an Emerging Risk

Glossary of Alternative Financial Performance Measures

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

Measure	Calculation	Why we use this measure
Dividend pay-out ratio (%)	The total dividend per share divided by the basic Earnings Per Share (EPS) for a financial year.	Provides a measure of the level of profits paid out to shareholders and the level retained in the business.
Dividend per share (pence per share)	Total dividend payable relating to a financial year divided by the total number of shares eligible to receive a dividend. Note ordinary shares held in the Hargreaves Lansdown Employee Benefit Trust have agreed to waive all dividends (see Note 3.2 to the consolidated financial statements).	Dividend per share is pertinent information to shareholders and investors and provides them with the ability to assess the dividend yield of the Hargreaves Lansdown plc shares.
Net revenue (£) (See Income Statement on page 9 for the reconciliation of net revenue)	Total revenue less commission payments which are primarily loyalty bonuses paid to Vantage clients.	Because of the changes brought about to the client charging structure by the Retail Distribution Review (“RDR”) there was a transitional period (from 1 March 2014 to 1 April 2017). From 1 March 2014 revenue was increased as Hargreaves Lansdown earned both a new platform fee from clients and the existing renewal commission from the Fund Management Groups based on the value of funds held by clients. At the same time the loyalty bonus paid to clients was significantly increased on the pre-RDR funds to largely mitigate the impact of the new platform fee. In order to aid comparability during the period of transition to 1 April 2017 the net revenue measure became the most useful comparative measure of revenue as it better reflected the underlying income relating to funds held by clients.
Percentage of net recurring revenue (%)	The total value of renewal commission (after deducting loyalty bonuses), platform fees, management fees and interest earned on client money divided by the total Vantage net revenue.	Provides a measure of the quality of our earnings. We believe recurring revenue provides greater profit resilience and hence it is of higher quality.
Net revenue margin (%)	Total net revenue divided by the average value of assets under administration which includes the Portfolio Management Services assets under management held in funds on which a platform fee is charged.	Provides the most comparable means of tracking, over time, the margin earned on the assets under administration and is used by management to assess business performance.
Revenue margin from cash (%)	Revenue from cash (net interest earned on the value of client money held on the Vantage platform divided by the average value of assets under administration held as client money.	Provides a means of tracking, over time, the margin earned on cash held by our clients.
Net revenue margin from funds (%)	Net revenue derived from funds held by clients (platform fees, initial commission less loyalty bonus) divided by the average value of assets under administration held as funds, which includes the Portfolio Management Services assets under management held in funds on which a platform fee is charged.	Provides the most comparable means of tracking, over time, the margin earned on funds held by our clients.
Revenue margin from shares (%)	Revenue from shares (stockbroking commissions, management fees where shares are held in a SIPP or ISA, less the cost of dealing errors) divided by the average value of assets under administration held as shares.	Provides a means of tracking, over time, the margin earned on shares held by our clients.