

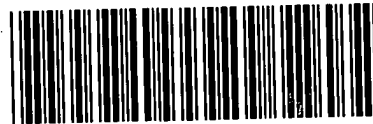
Hargreaves Lansdown Fund Managers Ltd.

Report and Financial Statements

30 June 2018

Registered Number – 02707155

FRIDAY



A20

A7JBXY7H

23/11/2018

#286

COMPANIES HOUSE

Hargreaves Lansdown Fund Managers Ltd.

COMPANY INFORMATION

DIRECTORS

R J Byett
L Gardhouse
C F Hill
P M Johnson
C J Worle

COMPANY SECRETARY

P Watts

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
7 More London Riverside
London
SE1 2RT

BANKERS

Lloyds Bank PLC
58 Queens Road
Clifton
Bristol

REGISTERED OFFICE

One College Square South
Anchor Road
Bristol
BS1 5HL

Hargreaves Lansdown Fund Managers Ltd.

STRATEGIC REPORT

The directors submit their strategic report and audited financial statements for the year ended 30 June 2018.

REVIEW OF THE BUSINESS

Principal activities and business review

Hargreaves Lansdown Fund Managers Ltd (the “Company”) is a wholly owned subsidiary of Hargreaves Lansdown plc, and its principal activity during the year continued as unit trust manager and authorised scheme manager of investment funds. There have not been any significant changes to the principal activities during the year, and no major changes to the Company’s principal activities are planned.

The Company achieved continued growth of assets under management (“AUM”) which have increased in value by 9% from £8.78 billion at 30 June 2017 to £9.56 billion at 30 June 2018. The growth can be attributed largely to market growth, no new funds were launched in the year, so growth is slower compared to the prior year. Net creations in the year were £1.60 billion and market movements attributed £2.39 billion.

Markets growth has slowed in the year, by comparison to the previous financial year, as highlighted by the FTSE All Share index which averaged just 5.00% higher than last year and finished at 4202.25 on 30 June 2018, up from 4002.18 on 30 June 2017, although this was higher than the previous year, like for like growth was lower.

Revenue for the year was £68.8 million, up 18.6% compared to the £58.0 million achieved last year driven by the growth in AUM and the associated annual management charges.

The statement of financial position on page 9 shows that the Company had net assets of £21.9 million at 30 June 2018 (2017: £17.52 million). Net assets increased as a result of high levels of trading around the end of the financial year, leading to an increase in outstanding balances.

The average number of staff for the year ended 30 June 2018 is shown in note 6 of the financial statements.

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Group and are not managed separately. Accordingly, the principal risks and uncertainties of Hargreaves Lansdown plc, which include those of the Company, are discussed in note 5.7 to the Group financial statements. Note 21 of these financial statements includes the impact of those matters for the Company.

Key performance indicators (KPI’s)

The directors of Hargreaves Lansdown plc manage the Group’s operations as a whole. For this reason, the Company’s directors believe that analysis using key performance indicators for the Group is the most appropriate way for an understanding of the development, performance or position of the business of Hargreaves Lansdown Fund Managers Ltd.

The main KPI’s monitored by the Company are profit before tax and AUM, which are summarised in the table below.

	2018	2017	% change
Profit before tax (£m)	58.9	51.5	+14.4%
AUM (£bn)	9.56	8.78	+9.0%

The development, performance and position of the Hargreaves Lansdown plc Group as a whole, which includes the Company, are discussed in the Group’s Report and Financial Statements, which does not form part of this report. The strategic report is approved and signed on behalf of the Board



C J Worle
Director
14 September 2018

Hargreaves Lansdown Fund Managers Ltd.

DIRECTORS' REPORT

The directors submit their annual report and audited financial statements for the year ended 30 June 2018.

A review of the business and its future development is set out in the Strategic Report along with a review of the principal risks and uncertainties.

RESULTS AND DIVIDENDS

The profit for the financial year amounted to £47,743,000 (2017: £41,314,000). During the year, the Company paid interim dividends of £44,000,000 (2017: £37,500,000). The directors do not recommend payment of a further final dividend (2017: £nil).

REVIEW OF THE BUSINESS

Financial instruments

The Company's financial risk management is based upon sound economic objectives and good corporate practice. The Company has no external borrowings and as such is not exposed to interest rate or refinancing risk on borrowings. Further details of the Company's financial risk management and financial instruments are set out in note 21 to the financial statements.

Going concern

The Company maintains ongoing forecasts that indicate continued profitability in the 2018 and 2019 financial years. Stress test scenarios are undertaken and the outcomes show the Company has adequate capital resources for the foreseeable future even in adverse economic conditions. The Company's business is highly cash generative with a low working capital requirement; indeed, the forecast cash flows show the Company will remain highly liquid in the forthcoming financial year. The directors therefore believe the Company is well placed to manage its business risks successfully. After making enquiries, the directors' expectation is that the Company will have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Report and Financial Statements.

DIRECTORS

The directors of the Company who were in office during the year and up to the date of signing the financial statements were:

L Gardhouse
R J Byett
C J Worle
C F Hill
P M Johnson

Directors' indemnities

As permitted by the Company's Articles of Association, the Directors have the benefit of an indemnity, which is a qualifying third-party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was introduced in August 2014 and is currently in force. The Company also purchased and maintained throughout the financial year directors' and officers' liability insurance cover for up to £60 million in respect of itself and its Directors to guard against liability that may be incurred acting as Directors and officers. This cover remains in force at the date of this report.

EVENTS AFTER STATEMENT OF FINICIAL POSITION DATE

As stated in note 18 to the financial statements there are no material events to disclose.

Hargreaves Lansdown Fund Managers Ltd.

DIRECTORS' REPORT

EMPLOYEES

We have consistently sought to recruit, train and retain the best employees in our market and this has contributed to our success. Information concerning employees and their remuneration is given in note 6. Consultative procedures enable management and other employees to discuss matters of mutual interest, including health and safety. Through these procedures and departmental channels, employees are kept informed about company affairs. In particular during the year the Chief Executive Officer ("CEO") has made two personal presentations to all employees and this is something that will continue going forwards. In addition a staff survey has been carried out the results of which have been fed back to all staff in the CEO presentations along with the action plans to address key employee concerns.

During the year a new Save As You Earn scheme was launched to all eligible employees (all permanent employees at the invitation open date are eligible to join). Such schemes are a key way of retaining and incentivising employees and ensuring their interests are aligned with those of the Company.

It is the Company's policy to encourage the employment, training and career development of disabled persons. If members of staff become disabled the Group continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary. A full assessment of any disabled employee's needs is undertaken and reasonable adjustments are made to the work environment or practices in order to assist them. In order to safeguard its employees, the Company pursues a policy which seeks to achieve, as far as practicably possible, secure working environments and training standards at all operating locations.

STATEMENT OF DISCLOSURE OF INFORMATION TO THE INDEPENDENT AUDITORS

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditors are unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information (as defined in the Companies Act 2006) and to establish that the Company's auditors are aware of that information.

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

PricewaterhouseCoopers LLP expressed their willingness to be re-appointed as auditors and a resolution to appoint them was passed at the most recent Annual General Meeting of the Group.

The directors' report is approved and signed on behalf of the Board



C J Worle
Director
14 September 2018

Hargreaves Lansdown Fund Managers Ltd.

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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

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 company and of the profit or loss of the 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 United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for safeguarding the assets of the 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 company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Independent auditors' report to the members of Hargreaves Lansdown Fund Managers Ltd.

Report on the audit of the financial statements

Opinion

In our opinion, Hargreaves Lansdown Fund Managers Ltd.'s financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 30 June 2018; the income statement, the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 30 June 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of the Directors' Responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

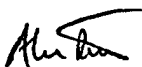
Other required reporting

Companies Act 2006 exception reporting

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company; or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Alex Bertolotti (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
14 September 2018

INCOME STATEMENT
For the year ended 30 June 2018

	Notes	2018 £'000	2017 £'000
Revenue	4	68,816	58,025
Administrative expenses	5	(10,174)	(6,574)
Operating profit		58,642	51,451
Investment from investments		-	2
Other interest receivable and similar income	7	289	32
Profit before tax		58,931	51,485
Tax on profit	8	(11,188)	(10,171)
Profit for the financial year		47,743	41,314

All results derive from continuing operations.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2018

	2018 £'000	2017 £'000
Profit for the financial year	47,743	41,314
Total comprehensive income for the year	47,743	41,314

The notes on pages 11 to 22 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Notes	At 30 June 2018 £'000	At 30 June 2017 £'000
Fixed assets			
Tangible assets	10	22	8
		<hr/> 22	<hr/> 8
Current assets			
Investments	11	184	184
Trade and other debtors	13	50,117	49,850
Cash at bank and in hand		4,615	3,020
Deferred tax assets	8	331	153
		<hr/> 55,247	<hr/> 53,207
Creditors: amounts falling due within one year	14	<hr/> (33,363)	<hr/> (35,696)
Net current assets		<hr/> 21,884	<hr/> 17,511
Net assets		<hr/> 21,906	<hr/> 17,519
Equity			
Called up share capital	15	80	80
Share premium account		29	29
Retained earnings		21,797	17,410
		<hr/> 21,906	<hr/> 17,410
Total shareholders' funds		<hr/> 21,906	<hr/> 17,519

The financial statements on pages 9 to 22 of Hargreaves Lansdown Fund Managers Ltd, registered number 02707155, were approved and authorised for issue by the board of directors on 14 September 2018 and signed on its behalf by:



C J Worle
Director

The notes on pages 11 to 22 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2018

	Called up share capital £'000	Share premium £'000	Retained earnings £'000	Total shareholders' funds £'000
At 1 July 2016	80	29	13,219	13,328
Profit for the financial year and total comprehensive income for the year	-	-	41,314	41,314
Employee share option scheme:				
Share-based payments expense	-	-	336	336
Current tax effect of share-based payments	-	-	49	49
Deferred tax effect of share-based payments	-	-	(8)	(8)
Dividend paid (note 9)	-	-	(37,500)	(37,500)
At 30 June 2017	80	29	17,410	17,519
Profit for the financial year and total comprehensive income for the year	-	-	47,743	47,743
Employee share option scheme:				
Share-based payments expense	-	-	394	394
Current tax effect of share-based payments	-	-	125	125
Deferred tax effect of share-based payments	-	-	125	125
Dividend paid (note 9)	-	-	(44,000)	(44,000)
At 30 June 2018	80	29	21,797	21,906

Retained earnings represents accumulated comprehensive income for the current and prior year plus share-based payments adjustments and related tax credits/ (charges).

The notes on pages 11 to 22 are an integral part of these financial statements.

Hargreaves Lansdown Fund Managers Ltd.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Hargreaves Lansdown Fund Managers Ltd (the "Company") is a private company limited by shares, incorporated and domiciled in the United Kingdom under the Companies Act 2006. The address of the registered office is One College Square South, Anchor Road, Bristol, BS1 5HL, United Kingdom. The Company is a wholly owned subsidiary of Hargreaves Lansdown plc. The nature of the Company's operations and its principal activities are set out in the review of the business, within the Strategic Report.

These financial statements are presented in pounds sterling which is the currency of the primary economic environment in which the Company operates and are rounded to the nearest thousand.

2. ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements have been prepared in accordance with Financial Reporting Standard 101, Reduced Disclosure Framework, Disclosure exemptions from EU-adopted International Financial Reporting Standards ("IFRS") for qualifying entities ("FRS 101"). The financial statements have been prepared on the going concern basis, under the historical cost convention with the exception of certain investments which are held at fair value, and in accordance with the Companies Act 2006 as applicable to companies using FRS 101.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

The Company is exempt under Section 400 (for EEA immediate parents) of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its immediate parent undertaking, Hargreaves Lansdown plc, a company incorporated in the United Kingdom, as at 30 June 2018. Copies of the Hargreaves Lansdown plc financial statements can be obtained from www.hl.co.uk.

Financial reporting standard 101 – reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based payment
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

Hargreaves Lansdown Fund Managers Ltd.

NOTES TO THE FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

The financial statements have been prepared on the historical cost basis, except for the revaluation of available for sale financial assets and financial assets at fair value through profit and loss. The principal accounting policies adopted are set out below that have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

2.2 Revenue recognition

Revenue represents income from the management of a portfolio of collective investments. It relates entirely to services provided in the UK and is stated net of value added tax, where applicable. Management fees are earned for the management of the funds and is recognised on an accruals basis calculated according to the level of assets under management at each month-end.

A spread, calculated as the difference between the cost of repurchasing redeemed units at the cancellation price and reselling them at the creation price, is earned and recognised on an accruals basis, as it becomes due and payable to the Company.

Net renewal commission is earned on agreements entered into with fund managers and is recognised on an accruals basis as it becomes due and payable to the Company.

2.3 Administrative expenses

Administrative expenses include staff costs and other operating costs. Staff costs represent amounts paid to employees in respect of services provided in the year including wages and salaries, share-based payment expenses, bonuses, payments to a defined contribution retirement benefit scheme and related social security costs. Other operating costs represent those arising as a result of our operations. All amounts are recognised on an accruals basis.

2.4 Pensions

The Company operates a defined contribution group personal pension plan for staff. Contributions are recognised as an expense in the income statement when they fall due. Amounts not paid are shown in accruals as a liability in the statement of financial position.

2.5 Employee benefits

The Company recognises short term employee benefits such as salaries, social security contributions, paid annual leave and bonuses, if expected to be settled before 12 months after the end of the reporting period, when an employee has rendered service in exchange for these benefits on an accruals basis in the income statement.

2.6 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' funds. In this case, the tax is also recognised in other comprehensive income or directly in shareholders' funds respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been substantively enacted by the reporting date in the countries where the Company operates and generates taxable income.

Deferred taxation is recognised, where material, in respect of all timing differences that have originated but not reversed at the statement of financial position date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the statement of financial position date. The exception to this is that deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be sufficient taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is calculated on an undiscounted basis at the tax rates that are expected to apply in the periods in which the timing differences reverse. The rates are based on tax rates and laws that have been substantively enacted by the statement of financial position date.

Hargreaves Lansdown Fund Managers Ltd.

NOTES TO THE FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES (CONTINUED)

2.7 Interest income

Interest income is accrued on a time basis by reference to the principal balance and the effective interest rate applicable.

2.8 Tangible assets

Tangible assets (including computer equipment) are stated at cost less accumulated depreciation and any recognised impairment loss. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is charged on all tangible assets based on the estimates of their useful economic lives and expected residual values, which are reviewed annually. Management determines the useful lives and residual values for assets when they are acquired, based on experience with similar assets and taking into account other relevant factors such as any expected changes in technology. The charge is calculated to write off the cost or valuation, less estimated residual value, of each asset evenly using a straight-line method over its estimated useful life as follows:

Computer hardware – over three to four years

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Income Statement.

At the end of each reporting period, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the loss. Where the asset does not generate cash flows, independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Recoverable amount is the higher of fair value, less costs to sell, and value in use.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and an impairment loss is recognised as an expense immediately.

2.9 Investments

Investments which are designated as being held at fair value through profit or loss are carried at fair value, being the quoted market price of the listed investment, with any gain or loss reported within the income statement. An investment is classified in this category if it is held principally for the purpose of selling in the short term.

Investments representing the units in issue currently being traded by the fund manager, are valued at mid-price. These units are carried at fair value through profit and loss.

2.10 Trade and other debtors

Trade debtors are initially recognised at fair value and are subsequently carried at amortised cost using the effective interest method. Subsequently appropriate allowances for estimated irrecoverable amounts are made and recognised in the Income Statement when there is objective evidence that the asset is impaired.

2.11 Cash at bank and in hand

Cash and cash equivalents comprise cash on hand and demand deposits that are readily convertible to a known amount of cash, are subject to insignificant changes in value and are considered to be holdings of less than three months or those over which the Company has an immediate right of recall. They are recognised as loans and receivables which means they are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method. The carrying amount of these assets is approximately equal to their fair value.

2.12 Trade Creditors

Creditors are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest method.

2.13 Dividends

Dividend distributions to the Company's shareholder, Hargreaves Lansdown plc, are recognised in the accounting period in which the dividends are declared and paid, or, if earlier, in the accounting period when the dividend is approved by the Company's board.

Hargreaves Lansdown Fund Managers Ltd.

NOTES TO THE FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES (CONTINUED)

2.14 Leasing commitments

Rentals paid under operating leases are charged to income on a straight-line basis over the term of the lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

2.15 Share-based payments

The Company has applied the requirements of IFRS 2 Share-based Payments to all grants of equity instruments after 7 November 2002 that were unvested at 1 July 2005.

The Company issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions.

Fair value is measured by use of the Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities. If in the future such estimates and assumptions, which are based on management's best judgement at the date of preparation of the financial statements, deviate from actual circumstances, the original estimates and assumptions will be modified as appropriate in the period in which the circumstances change.

There are no assumptions made about the future, or any other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4. REVENUE

	2018	2017
	£'000	£'000
Revenue from services	68,816	58,025
	<u>68,816</u>	<u>58,025</u>

5. OPERATING PROFIT

This is stated after charging:

	2018	2017
	£'000	£'000
Auditors' remuneration – audit services	15	10
Auditors' remuneration –audit services	16	16
Staff costs	3,891	4,539
Operating lease rentals – land & buildings	67	46
Depreciation	3	1
	<u>3</u>	<u>1</u>

The Group financial statements in which the Company is consolidated present the non-audit fees payable to the Company's auditors for non-audit services provided to the Group.

Hargreaves Lansdown Fund Managers Ltd.

NOTES TO THE FINANCIAL STATEMENTS

6. STAFF COSTS AND DIRECTORS' REMUNERATION

The average monthly number of employees (including directors) during the year was:

	2018	2017
	No.	No.
Administrative functions	-	-
Operating and support functions	15	13
	15	13
Aggregate remuneration	2018	2017
	£'000	£'000
Wages and salaries	2,894	3,474
Social security costs	455	490
Share based payments	394	336
Other pension costs	148	239
	3,891	4,539
Directors' remuneration	2018	2017
	£'000	£'000
Emoluments	1,270	1,147
Pension Contributions	2	5
	1,272	1,152

In addition to the amounts above, directors of the Company received an aggregate amount of £384,604 relating to the exercise of share options (2017: £185,000). Three directors (2017: 5) were members of money purchase pension schemes during the year. Four directors have exercised share options during the year (2017: 3). During the year awards under deferred bonus schemes were made to five key management personnel (2017: 5).

The emoluments of the highest paid director were £911,060 (2017: £747,000), pension contributions were nil (2017: nil) and gains on the exercise of share options were £347,938 (2017: £102,000). The director received no shares under long term incentive schemes in respect of qualifying services (2017: nil).

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	2018	2017
	£'000	£'000
Bank interest	289	32

8. TAX ON PROFIT

	2018	2017
	£'000	£'000
The total tax charge for the year comprises:		
Current tax: on profits for the year	11,242	10,213
Current tax: adjustments in respect of prior years	-	1
	11,242	10,214
Deferred tax: origination and reversal of timing differences	(54)	(43)
	11,188	10,171

Corporation tax is calculated at 19% of the estimated assessable profit for the year to 30 June 2018 (2017: 19.75%).

Hargreaves Lansdown Fund Managers Ltd.

NOTES TO THE FINANCIAL STATEMENTS

8. TAX ON PROFIT (CONTINUED)

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

	2018 £'000	2017 £'000
Deferred tax relating to share-based payments	(125)	8
Current tax relating to share-based payments	(125)	(49)
	<u>(250)</u>	<u>(41)</u>

The difference between the total tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2018 £'000	2017 £'000
Profit before tax from continuing operations	58,931	51,485
Tax at the standard UK corporation tax rate of 19.00% (2017 – 19.75%)	11,197	10,168
Effects of:		
Non-taxable income	(16)	(3)
Impact of change in UK tax rate on deferred tax	7	4
Adjustments in respect of prior years	-	2
Total tax charge for year	<u>11,188</u>	<u>10,171</u>

Factors affecting total tax charge

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 2016, 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 share price of Hargreaves Lansdown plc as at 30 June 2018.

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 Finance Bill 2016 was substantively enacted on 6 September 2016 reducing the rate to 17% from 1 April 2020.

The Company participates in the Hargreaves Lansdown plc Group share option schemes and has granted options to several employees. The Company anticipates a reduction to corporation tax when the options are taken up by the employees; the timing and amount of the deduction is dependent on the number of options taken up and the market value of the shares at the time.

Deferred tax

Deferred tax is recognised at 19% and 17% (2017: 19%) as follows:

	Fixed asset tax relief £'000	Other timing differences £'000	Total £'000
At 1 July 2017	1	152	153
Credited during the year	-	178	178
At 30 June 2018	<u>1</u>	<u>330</u>	<u>331</u>

Hargreaves Lansdown Fund Managers Ltd.

NOTES TO THE FINANCIAL STATEMENTS

8. TAX ON PROFIT (CONTINUED)

Deferred tax expected to be recovered or settled:

Within 1 year after reporting period	-	126	126
> 1 year after reporting period	1	204	205
At 30 June 2018	1	330	331

9. DIVIDENDS PAID

The following dividends were paid during the year:

	2018	2017
	£'000	£'000
Interim dividend £550 per share (2017: £468.75)	44,000	37,500
	44,000	37,500

There have been no further dividends declared (2017: nil).

10. TANGIBLE ASSETS

	Computer hardware £'000	Total £'000
Cost:		
At 1 July 2016	8	8
Additions	9	9
At 30 June 2017	17	17
Additions	17	17
At 30 June 2018	34	34
Accumulated depreciation:		
At 1 July 2016	8	8
Provided during the year	1	1
At 30 June 2017	9	9
Provided during the year	3	3
At 30 June 2018	12	12
Net Book Value:		
At 30 June 2018	22	22
At 30 June 2017	8	8
At 30 June 2016	-	-

11. CURRENT ASSET INVESTMENTS

	2018	2017
	£'000	£'000
Investment in listed equities	184	184

All investments in listed equities are held at fair value, being Level 1 in the fair value hierarchy.

Hargreaves Lansdown Fund Managers Ltd.

NOTES TO THE FINANCIAL STATEMENTS

12. INVESTMENTS IN SUBSIDIARY

	2018	2017
	£	£
Investment in subsidiary company	1	1

The investment in the ordinary share capital of the subsidiary undertaking, which is incorporated in the United Kingdom, is:

Name of company	Nature of business	Country of incorporation	Shares held	Voting rights	Registered address
Hargreaves Lansdown Investment Management Limited	Non-trading	UK	100%	100%	One College Square South, Anchor Road, Bristol BS1 5HL.

The directors believe that the carrying value of the investments is supported by their underlying net assets.

13. TRADE AND OTHER DEBTORS

	2018	2017
	£'000	£'000
Trade debtors	23,704	25,197
Amounts owed by group undertakings	20,266	19,213
Prepayments	50	68
Accrued income	6,097	5,372
	<u>50,117</u>	<u>49,850</u>

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018	2017
	£'000	£'000
Trade creditors	19,834	21,699
Amounts owed to group undertakings	6	1,231
Corporation tax	5,559	5,494
Other creditors including taxation and social security	7,382	7,174
Accruals	582	98
	<u>33,363</u>	<u>35,696</u>

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

15. CALLED UP SHARE CAPITAL

	2018	2017	2018	2017
	No.	No.	£	£
Authorised share capital - Ordinary shares of £1 each	100,000	100,000	100,000	100,000
Allotted, called up and fully paid - Ordinary shares of £1 each	80,000	80,000	80,000	80,000

Hargreaves Lansdown Fund Managers Ltd.

NOTES TO THE FINANCIAL STATEMENTS

16. OPERATING LEASE COMMITMENTS

Operating lease commitments – as lessee

At 30 June 2018 and 2017 the Company had outstanding commitments for future minimum lease payments under the remaining term of non-cancellable operating leases, which fall due as follows:

	2018 £'000	2017 £'000
Within one year	84	54
In the second to fifth years inclusive	338	222
After five years	231	227
Total minimum lease payments	653	503

17. SHARE BASED PAYMENTS

Equity-settled share option scheme

The Company seeks to facilitate significant equity ownership by staff and senior management, principally through schemes which encourage and assist the purchase of the group's shares. Employees of the Company participated in three share option plans: the 2009 Employee Savings-Related Share Option Scheme ("SAYE"), the Hargreaves Lansdown plc Share Incentive Plan ("SIP") and the Hargreaves Lansdown Company Share Option (2000 & 2010) Scheme (the "Executive Option Scheme").

Awards granted under the Employee SAYE scheme vest over three or five years. Awards granted under the Employee Share Incentive Plan vest over a three-year period. Awards granted under the Executive Option Scheme vest between nil and ten years. Options are exercisable at a price equal to the HMRC approved market value of the parent company's shares on the date of grant. Options are forfeited if the employee leaves the group before the options vest.

Details of the share options exercised during the year are as follows:

	30 June 2018		30 June 2017	
	Share options No.	Weighted average exercise price £	Share options No.	Weighted average exercise price £
SAYE				
Exercised during the year	2,404	6.986	8,136	3.650
Executive Option Scheme				
Exercised during the year	78,936	-	25,000	4.519

The share options outstanding at the end of each year have exercise prices and expected remaining lives as follows:

	Year ended 30 June 2018		Year ended 30 June 2017	
	Share Options No.	Weighted average exercise price (pence)	Share Options No.	Weighted average exercise price (pence)
Weighted average expected remaining life				
0-1 years	115,574	1,131.2	136,340	943.7
1-2 years	77,108	818.0	103,684	1,149.8
2-3 years	107,517	968.9	64,982	788.1
3-4 years	-	-	56,000	1,201.0
4-5 years	9,478	-	-	-
	309,677	962.2	361,006	1,014.8

Hargreaves Lansdown Fund Managers Ltd.

NOTES TO THE FINANCIAL STATEMENTS

17. SHARE BASED PAYMENTS (CONTINUED)

The Company recognised total expenses related to equity-settled share-based payment transactions as shown in note 6.

Prior to 15 May 2007 the parent company's shares were not listed on a stock exchange and therefore no readily available market price existed for the shares. The share price used for the grant of share options prior to 15 May 2007 has been based on the latest market value agreed with HM Revenue & Customs using an earnings multiples approach based on comparable quoted companies, and share price volatility has been estimated as the average of the volatility experienced by a comparable group of quoted companies. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. Since 15 May 2007 a quoted market price is available for the parent company's shares.

18. SUBSEQUENT EVENTS

There are no material events to note since the year ended 30 June 2018.

19. RELATED PARTY TRANSACTIONS

The ultimate parent undertaking and controlling party is Hargreaves Lansdown plc, which is the parent undertaking of the smallest and largest group in which the Company is consolidated. Fellow group undertakings are the subsidiary companies of the ultimate parent as detailed in the group financial statements. Subsidiaries refer to Hargreaves Lansdown Investment Management Limited, a non-trading company.

	Ultimate Parent		Fellow Group undertakings	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
Debtors				
Assets	£'000	£'000	£'000	£'000
At the beginning of the year	12,997	-	6,216	24,617
Net amount advanced/(repaid)	3,985	12,997	(2,932)	(18,401)
At the end of the year	16,982	12,997	3,284	6,216

	Ultimate Parent		Fellow Group undertakings	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
Creditors				
Liabilities	£'000	£'000	£'000	£'000
At the beginning of the year	-	(10,304)	(1,231)	(19)
Net amount repaid/(advanced)	-	10,304	1,225	(1,212)
At the end of the year	-	-	(6)	(1,231)

Debtors from the ultimate parent and fellow group undertakings comprise amounts owed by group undertakings as shown in note 13.

Creditors to the ultimate parent and fellow group undertakings comprise amounts payable to group undertakings as shown in note 14.

The amounts mainly reflect that the Company's cash deposits are held in the name of either Hargreaves Lansdown Asset Management Limited or the ultimate parent as they have the legal contract with the credit institution.

Amounts owed accrue no interest and are repayable upon demand.

Hargreaves Lansdown Fund Managers Ltd.

NOTES TO THE FINANCIAL STATEMENTS

20. ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking and controlling party is Hargreaves Lansdown plc, which is incorporated in the United Kingdom and is the parent undertaking of the smallest and largest group in which the Company is consolidated. Copies of the Group financial statements may be obtained from Companies House, Crown Way, Cardiff or are available on the Group website www.hl.co.uk.

21. FINANCIAL RISK MANAGEMENT

Fair value

The fair value of the Company's financial assets and liabilities are not materially different from their carrying values. Market values have been used to determine the fair values of cash and cash equivalents, and available-for-sale financial assets where there is a quoted market price.

Nature and extent of risks

The Company's financial risk management is based upon sound economic objectives and good corporate practice. No hedging transactions have taken place during the year (2017: nil).

➤ *Interest rate risk*

Interest rate risk is the risk that the Company will sustain losses from adverse movements in interest bearing assets. There is an exposure to interest rates on banking deposits held in the ordinary course of business. This exposure is continually monitored to ensure that the Company is maximising its interest earning potential within accepted liquidity and credit constraints. The Company has no external borrowings and as such is not exposed to interest rate or refinancing risk on borrowings. Cash at bank earns interest at floating rates based on daily bank deposit rates. Term deposits are also made for varying periods of between one day and 13 months depending on the immediate cash requirements of the Company and earn interest at the respective fixed term deposit rates.

➤ *Foreign exchange translation and transaction risk*

Foreign currency risk is the risk that the Company will sustain losses through adverse movements in currency exchange rates. With substantially all of the Company business located within the UK, and therefore with minimal net assets and transactions of the Company denominated in foreign currencies, the Company is not exposed to significant foreign exchange translation or transaction risk and as such does not hedge any foreign current assets or liabilities.

➤ *Price risk*

Price risk is the risk that a decline in the value of assets adversely impacts on the profitability of the Company either as a result of an asset not meeting its expected value or through the decline of assets under management generating lower revenue.

As a main source of revenue is based on the value of client assets under management, the Company is exposed to security price risk on investments held for clients, although these assets are not on the Company statement of financial position. The risk of lower revenues is partially mitigated by asset class diversification. The Company does not hedge its revenue exposure to movements in the value of client assets arising from these risks, and so the interests of the Company are aligned to those of its clients.

➤ *Liquidity risk*

The Company actively maintains cash balances on short term deposit to ensure that the Company has sufficient available funds for operations.

➤ *Credit risk*

The Company has no significant concentrations of credit risk. The Company has implemented procedures that require appropriate credit or alternative checks on potential customers before business is undertaken. Financial instrument counterparties are subject to pre-approval by the Board.

Cash is held with UK banks. The credit risk on liquid funds is limited because the counterparties are banks with strong credit-ratings assigned by international credit-rating agencies. The Company takes a conservative approach to treasury management and selection of banking counterparties, and carries out regular reviews of all its banks' and custodians' credit ratings.

Hargreaves Lansdown Fund Managers Ltd.

NOTES TO THE FINANCIAL STATEMENTS

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

Capital management

The Company is regulated by the FCA and is individually classed as a Collective Portfolio Management Company. The Company manages its retained earnings, share capital and share premium which total £21.9 million as at 30 June 2018 (2017: £17.5 million). It is part of the Hargreaves Lansdown plc Group and so is also required to comply with the Capital Requirements Directive ("CRD"). Under the CRD a set of disclosures (Pillar 3) has been made which enables the market to assess information on the Group's risks, capital and risk management procedures. This is available on the Group's website at <http://www.hl.co.uk/investor-relations/pillar-3-disclosures>.

Surplus regulatory capital was maintained throughout the year at both a Company level and at a consolidated Group level.

22. INTEREST IN UNCONSOLIDATED STRUCTURED ENTITIES

The Company has determined that the investment funds it manages are structured entities. Structured entities include entities that are designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when the relevant activities are directed by means of a contractual relationship. As the Company directs the investing activities of the ten Hargreaves Lansdown Multi-Manager funds and the two Hargreaves Lansdown Select funds, through its investment management agreements with them, it considers them to be structured entities. The Company holds interests in these funds through the receipt of management fees, together with direct investments in the entities. Investments in the funds have been designated at fair value through profit or loss (FVTPL).

The entities are entirely funded by the capital contributions associated with the purchase of units in the funds by unitholders and through return on investments; none of the entities have issued debt or has borrowings and none are reliant on the Company or the Hargreaves Lansdown plc Group for any funding.

The Company does not sponsor any of the structured entities and there are no guarantees or commitments. Where the Company has an equity holding in the funds, the maximum exposure to loss relates to future management fees should the market value of the funds decrease, plus the fair value of the Company's investment in that fund.

Structured entities with direct holdings

Direct investments in structured entities relate to box positions held by Hargreaves Lansdown Fund Managers Ltd and through portfolios held in Hargreaves Lansdown Asset Management Limited that mimic holdings in the Portfolio Management Service and HL Portfolio+.

The table below shows the details of unconsolidated structured entities in which the Company has direct holdings as at 30 June 2018 and 30 June 2017.

	Type	Number of funds	Net AUM of funds £m	Financial assets at FVTPL £'000	Annual management charge £'000	Annual management charge receivable as at 30 June £'000
2018	Unit Trust	12	9,559	184	67,180	6,097
2017	Unit Trust	12	8,785	184	56,461	5,335