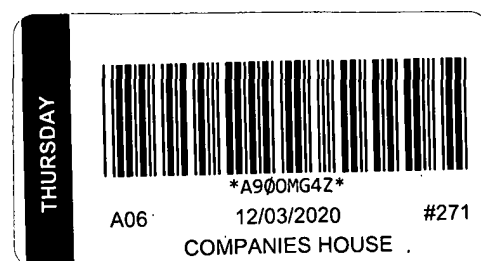


HARGREAVES LANSDOWN ADVISORY SERVICES LIMITED

REPORT AND FINANCIAL STATEMENTS

30 June 2019

Registered Number – 03509545



Hargreaves Lansdown Advisory Services Limited

COMPANY INFORMATION

DIRECTORS

R J Byett

D D Davies (resigned 9th December 2019)

C F Hill (resigned 5th December 2019)

I J Hunter

P M Johnson (resigned 5th December 2019)

D James (appointed 10th October 2019)

COMPANY SECRETARY

A Zobel

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP

2 Glass Wharf

Bristol

BS2 0FR

BANKERS

Lloyds Bank plc

58 Queens Road

Clifton

Bristol

REGISTERED OFFICE

1 College Square South

Anchor Road

Bristol

BS1 5HL

Hargreaves Lansdown Advisory Services Limited

STRATEGIC REPORT

The directors submit their strategic report and audited financial statements for the year ended 30 June 2019.

REVIEW OF THE BUSINESS

Principal activities and business review

Hargreaves Lansdown Advisory Services Limited (the “Company”) is a wholly owned subsidiary of Hargreaves Lansdown plc, and its principal activity during the year was the provision of advisory services through our own financial advisers. 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 average number of financial advisers for the year was 82 compared to 86 last year. Our advisers provide ongoing services to Portfolio Management Service (“PMS”) clients and may provide ad-hoc advice to platform clients on a fee basis. We will aim to return our advisory services to growth and seize the opportunities that are arising in the changing market.

The value of assets in PMS decreased by 4.0%, falling to £3.37 billion, from £3.51 billion in 2018. Net lost business was £100 million, coupled with a decrease in market value of £100 million. Net lost business of £100 million was significantly down on the prior year’s net new business of £65 million. This was largely due to market volatility and a reduction in investor confidence.

Total revenue fell from £22.6 million last year to £21.0 million this year, largely due to the decrease in assets in PMS and a fall in advice being provided for one-off business, as a result of poor market movements. Key revenue streams are derived from the value of the PMS assets which are held in funds, of which the majority are Hargreaves Lansdown Multi-Manager funds. The greater the value of funds held in PMS the greater the revenue earned. The ongoing advice fee is charged at 0.365% per annum.

The directors are satisfied with the way the business has continued. Performance of the business has been satisfactory with the financial advisers bringing in new business to the execution only service and providing advisory services to individuals, however, the gathering of new assets and clients into PMS has been behind expectations. PMS remains a core service provided by the Hargreaves Lansdown plc Group (the “Group”) and a review is being undertaken with a view to improving lead flows and the quality of the offering for clients.

The statement of financial position on page 10 shows that the Company’s net asset position at the end of the financial year has increased from £14.6m to £16.1m. During the year internal development of £1.4m has taken place for new systems to improve the advice offering.

The average number of staff for the year ended 30 June 2019 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. The principal risks and uncertainties of Hargreaves Lansdown plc, which include those of the Company, are discussed in the Group’s Report and Financial Statements. Further information on financial risk management can be found in note 20 of this report.

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 Advisory Services Limited.

The development, performance and position of the Hargreaves Lansdown plc Group, 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.

I J Hunter

I J Hunter

Director

10 March 2020

Hargreaves Lansdown Advisory Services Limited

DIRECTORS' REPORT

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 £1,251,314 (2018: £2,584,287). During the year the Company paid no interim dividends (2018: £nil). The directors do not recommend payment of a further final dividend (2018: £nil).

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 20 to the financial statements.

Going concern

The Company maintains ongoing forecasts that indicate continued profitability in the 2020 and 2021 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 despite the current uncertain economic outlook. 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:

R J Byett

D D Davies (resigned 9th December 2019)

C F Hill (resigned 5th December 2019)

I J Hunter

P M Johnson (resigned 5th December 2019)

D James (appointed 10th October 2019)

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. Throughout the financial year, the Company and its directors have also had the benefit of Group-wide directors' and officers' liability insurance cover for up to £60 million to guard against liability that may be incurred in connection with the directors acting as directors and officers of the Company. This cover remains in force at the date of this report.

Hargreaves Lansdown Advisory Services Limited

DIRECTORS' REPORT

EMPLOYEES

To attract and retain the right people we offer competitive rewards which includes independently benchmarked pay and benefits. We believe that working together as a team is key to our success and so to complement pay we include the majority of our colleagues in bonus schemes, linked to the financial success of Hargreaves Lansdown and distributed on an individual performance-related basis identified via a performance appraisal system.

To encourage employees to share in the success of our business we offer immediate entry into our SAYE scheme. 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 Company continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary. 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.

EVENTS AFTER STATEMENT OF FINANCIAL POSITION DATE

As stated in note 17 to the financial statements there are no material events to disclose.

STATEMENT OF THE 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 ought to have taken as a director in order to make himself 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 s418 of the Companies Act 2006.

PricewaterhouseCoopers LLP have expressed their willingness to continue their appointment as independent auditors.

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

I J Hunter

I J Hunter

Director

10 March 2020

Hargreaves Lansdown Advisory Services Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the 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.

Hargreaves Lansdown Advisory Services Limited

Independent auditors' report to the members of Hargreaves Lansdown Advisory Services Limited

Report on the audit of the financial statements

Opinion

In our opinion, Hargreaves Lansdown Advisory Services Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2019 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 2019; 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

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.

We have nothing to report in respect of the above matters.

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. For example, the terms of the United Kingdom's withdrawal from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

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 on, 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.

Hargreaves Lansdown Advisory Services Limited

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 2019 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 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.


Christopher Weissberg (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

Bristol

10 March 2020

Hargreaves Lansdown Advisory Services Limited

INCOME STATEMENT

For the year ended 30 June 2019

	Note	2019 £	2018 £
Revenue	4	21,024,447	22,641,932
Administrative expenses		(19,812,644)	(19,526,691)
Operating Profit	5	1,211,803	3,115,241
Interest receivable and similar income	7	309,344	84,010
Profit before taxation		1,521,147	3,199,251
Tax on profit	8	(269,833)	(614,964)
Profit for the financial year		1,251,314	2,584,287

All results derive from continuing operations.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2019

	2019 £	2018 £
Profit for the financial year	1,251,314	2,584,287
Total comprehensive income for the year	1,251,314	2,584,287

The notes on pages 11 to 25 are an integral part of these financial statements

Hargreaves Lansdown Advisory Services Limited

STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Note	At 30 June 2019 £	At 30 June 2018 £
Fixed assets			
Intangible assets	9	1,463,971	48,003
Tangible assets	10	70,157	69,976
Investments	11	1	1
		<u>1,534,129</u>	<u>117,980</u>
Current assets			
Trade and other receivables	12	18,648,118	29,687,604
Cash at bank and in hand		158,453	107,626
Deferred tax	8	265,239	319,359
		<u>19,071,810</u>	<u>30,114,589</u>
Current liabilities	13	<u>(4,497,901)</u>	<u>(15,616,687)</u>
Net current assets		<u>14,573,909</u>	<u>14,497,902</u>
Net assets		<u>16,108,038</u>	<u>14,615,882</u>
Equity			
Called up share capital	14	100	100
Retained earning		16,107,938	14,615,782
		<u>16,108,038</u>	<u>14,615,882</u>
Total shareholders' funds		<u>16,108,038</u>	<u>14,615,882</u>

The financial statements on pages 8 to 25 of Hargreaves Lansdown Advisory Services Limited, registered number 03509545, were approved and authorised for issue by the board of directors on 10 March 2020 and signed on its behalf by:

I J Hunter

I J Hunter

Director

The notes on pages 11 to 25 are an integral part of these financial statements

Hargreaves Lansdown Advisory Services Limited

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2019

	Called up share capital £	Retained earnings £	Total shareholders' funds £
At 1 July 2017	100	11,573,855	11,573,955
Profit for the financial year and total comprehensive income for the year	-	2,584,287	2,584,287
Employee share option scheme:			
Share based payments expense	-	167,104	167,104
Current tax effect of share-based payments	-	161,239	161,239
Deferred tax effect of share-based payments	-	129,297	129,297
At 30 June 2018	100	14,615,782	14,615,882
Profit for the financial year and total comprehensive income for the year	-	1,251,314	1,251,314
Employee share option scheme:			
Share based payments expense	-	208,297	208,297
Current tax effect of share-based payments	-	108,766	108,765
Deferred tax effect of share-based payments	-	(76,221)	(76,221)
At 30 June 2019	100	16,107,938	16,108,038

Profit and loss account represents total comprehensive income for the current and prior year plus share-based payments adjustments and related tax credits/ (charges).

The notes on pages 11 to 25 are an integral part of these financial statements

Hargreaves Lansdown Advisory Services Limited

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Hargreaves Lansdown Advisory Services Limited (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 1 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 on page 2.

These financial statements are presented in pounds sterling which is the currency of the primary economic environment in which the Company operates.

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 2019. 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;
 - paragraph 118(e) of IAS 38 Intangible Assets;
- 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 Advisory Services Limited

NOTES TO THE FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

Application of new standards

In the current year, the following new and revised standards and interpretations have been adopted but do not materially affect the amounts reported or the accounting policies in these financial statements other than as described below:

IFRS 9

In the current year, the Company has applied IFRS 9 'Financial Instruments' and the related amendments to other IFRS standards that are applicable for the first time for financial periods beginning on or from 1 January 2018. The standard replaces IAS 39 'Financial Instruments: Recognition and Measurement'. The adoption of IFRS 9 does not require the Group to restate prior periods. As a result no adjustments have been made to opening reserves as at the date of initial application. The date of initial application was 1 July 2018 and the financial instruments of the group that continue to be recognised at this date have been classified in accordance with the requirements of the standard.

The company has also adopted the amendments to IFRS 7 'Financial Instruments: Disclosures' that apply for the year ended 30 June 2019.

IFRS 9 introduces new requirements for:

- a) The classification and measurement of financial assets;
- b) Impairment of financial assets;
- c) Classification and measurement of financial liabilities; and
- d) Disclosures in relation to the initial application of IFRS 9.

a) Classification and measurement of financial assets

All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

The directors of the Company have assessed the financial assets of the Company that continued to be held as at 1 July 2018 based on the circumstances at that date. The conclusions arrived at in relation to the initial application of IFRS 9 have the following impact on the Company's financial assets:

- Financial assets held as loans and receivables under IAS 39 that were measured at amortised cost will continue to be measured at amortised cost under IFRS 9 as they are held within the business model to collect contractual cash flows and these cash flows consist solely of repayments of principal and interest on the principal amount outstanding;

These classifications have had no impact on the Company's financial position, profit or loss, other comprehensive income or total comprehensive income.

b) Impairment of financial assets

Impairment measurement under IFRS 9 requires an assessment to be made of the expected credit losses on financial instruments. This applies to the trade and other receivables balances. IFRS 9 requires the Company to measure the loss allowance equal to the lifetime expected credit losses if the asset has experienced significant increases in credit risk since initial recognition.

This requires directors of the Company to assess the expected increases in credit risk for the financial instruments held by the Company in a given financial year. In relation to financial assets upon which the Company is required to assess losses, the following have been considered:

- 1) Trade and other receivables; and
- 2) Cash and cash equivalents.

Hargreaves Lansdown Advisory Services Limited

NOTES TO THE FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES (CONTINUED)

The application of IFRS 9 has not led to a change in the level of impairment recognised by the Company.

A large proportion of the receivables of the Company are short-term and in relation to customer balances as accrued income. In these instances, a service has already been provided and payment is due. In most cases these matters settle within a short period and as such there is no expectation of loss. Where there are outstanding receivables for fees from customers, those customers are individuals with asset balances that exceed the value of the receivable.

Financial assets, both receivables and cash and cash equivalents, for which there is no collateral of this type or for which credit ratings are not available are addressed using the simplified approach. Given the immaterial nature of the balances over which this approach has been applied it has not had an effect on the financial statements in the current or prior year.

c) Classification and measurement of financial liabilities

The financial liabilities of the Company that are in the scope of IFRS 9 have not been subject to any change in classification or measurement, subsequently trade and other payables previously measured at amortised cost will continue to be measured in that way.

d) Disclosures in relation to the initial application of IFRS 9

There were no financial assets or financial liabilities which the Company had previously designated as at FVTPL under IAS 39 that were subject to reclassification or which the Company has elected to reclassify upon the application of IFRS 9. There were no financial assets or financial liabilities which the Company has elected to designate as at FVTPL at the date of initial application of IFRS 9.

No adjustments have been made to prior year comparatives as a result of the adoption of IFRS 9.

IFRS 15

In the current year, the Company has adopted IFRS 15 'Revenue from Contracts with Customers' for the first time and is effective for annual periods beginning on or after 1 January 2018. IFRS 15 introduces a 5 step approach to revenue recognition and replaces IAS 18 'Revenue'. A detailed assessment of all revenue streams, using the five step model outlined in the standard, has been undertaken, considering those steps as outlined by the standard:

1. identifying the contract with a customer;
2. identifying the performance obligations in the contract;
3. determining the transaction price;
4. allocating the transaction price to separate performance obligations; and
5. recognising revenue as the entity satisfies a performance obligation.

The Company has applied the modified approach to implementation of IFRS 15 and have taken the practical expedient afforded under IFRS 15:20 to not restate any matters in relation to completed contracts or contracts that have been modified prior to the date of initial application. There has been no consideration received in respect of obligations that expired in previous periods. Transaction price can accurately be determined, for all contracts, with obligations being realised equally over the course of the contract where the transaction is not performed immediately.

There has been no material change in the accounting policies in relation to revenue as a result of the implementation of IFRS 15, meaning that there was no impact on adoption of the standard, with all of the policies in place under IAS 18 satisfying the requirements under IFRS 15

Other standards and amendments adopted this year have had no impact and are outlined below:

- Annual improvements to IFRS 2014-2017 cycle:
 - Amendments to IAS 28 'Investments in Associates and Joint Ventures';
- Amendment to IFRS 2, 'Classification and Measurement of Share-based Payment Transactions';
- Amendments to IAS 40 'Transfers of Investment Property';
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration', which addresses how to determine the date of a transaction for purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when paid or received in advance for a transaction in foreign currency.

Hargreaves Lansdown Advisory Services Limited

NOTES TO THE FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES (CONTINUED)

Accounting policies

The financial statements have been prepared on the historical cost basis, except for the revaluation of financial assets at fair value through profit and loss. The principal accounting policies adopted are set out below.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

2.2 Revenue recognition

Ongoing service charges and discretionary management charges relating to the Portfolio Management Service are recognised on an accruals basis. Charges are made based on the last day of the relevant month based on the underlying value of assets.

Adviser charges are made to clients for initial advice in setting them up in either the Portfolio Management Service or as an execution only client and for ad hoc advice on specific financial matters. The charges are recorded in the accounts on an accruals basis triggered by the date on which the client signs an adviser charge agreement.

Renewal commission is earned on third-party agreements entered into on the advice of the Group's advisory services and is recognised on an accruals basis as it becomes due and payable to the Group.

Interest income received on client money balances is the net interest margin earned by the Company and is accrued on a time basis, based on the client money balances under administration and by reference to the effective interest rate applicable.

2.3 Administrative expenses

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 operations. All amounts are recognised on an accruals basis.

2.4 Intangible assets

Intangible assets comprise computer software which is stated at cost less amortisation and any recognised impairment loss. Amortisation is provided, where material, on all intangible assets excluding goodwill at rates calculated to write off the cost or valuation, less estimated residual value, of each asset evenly using a straight-line method over its estimated useful life as follows:

Computer software - over three to four years

Computer software relates to purchases of licences and software, in line with the requirements of IAS 38. The carrying values of computer software are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated income statement.

2.5 Tangible assets

Tangible assets (including computer and office 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:

Fixtures, fittings, plant and equipment:

Computer hardware – over three to four years

Office equipment (which includes leasehold property tenants' fixtures and other fixtures) - over three to ten years

Hargreaves Lansdown Advisory Services Limited

NOTES TO THE FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES (CONTINUED)

2.5 Tangible assets (continued)

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 and intangible 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 Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Recoverable amount is the higher of fair value, less costs to sell, and value in use.

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

2.6 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.

2.7 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. The amounts are recognised on an accrual basis in the income statement.

2.8 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.

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.

2.9 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.

2.10 Interest income

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

Hargreaves Lansdown Advisory Services Limited

NOTES TO THE FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES (CONTINUED)

2.11 Trade and other receivables

Trade and other receivables are subsequently measured at amortised cost using the effective interest method less any expected credit losses. The financial assets are held in order to collect the contractual cash flows and those cash flows are payments of interest and principal only. The Group recognises Expected Credit Losses (ECLs) relating to trade receivables in line with the simplified approach per IFRS 9 and calculated based on the historic information available from the preceding years alongside factors impacting the individual debtors, economic conditions and forecast expectations. Impairment losses are recognised immediately in the Income Statement.

Accrued income relates to balances for which the Group has provided services, but balances are billed in arrears and as such are not yet due. The amount relates to fund management fees, interest on deposits and services direct to clients. The revenue is recognised evenly over the period during which services are provided, with initial recognition occurring at commencement of the agreement period.

2.12 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits that are readily convertible to a known amount of cash. They are recognised as loans and receivables which means they are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method. The carrying amount of these assets is approximately equal to their fair value.

2.13 Current liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into. Trade payables are measured at amortised cost using the effective interest method. In accordance with market practice, certain balances with clients, Stock Exchange member firms and other counterparties are included as payables.

2.14 Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the statement of financial position date, and are discounted to present value where the effect is material.

2.15 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.

2.16 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.

Hargreaves Lansdown Advisory Services Limited

NOTES TO THE FINANCIAL STATEMENTS

3. KEY SOURCES OF JUDGEMENTS AND ESTIMATION UNCERTAINTY

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

The Company is making a significant investment in the development of new software. Given the expected long-term economic benefit that this is expected to bring, development costs are being capitalised. The Company has estimated the useful economic life at five years based on the expected duration for which the software will be used. It is however possible that the economic life would exceed or fall short of 5 years. As the asset was not yet fully deployed at year end the judgement around its useful economic life has no impact on the carrying value at year-end.

There are no 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

Revenue relates entirely to services provided in the UK and, where applicable, is stated net of value added tax. It represents the amount of charges received from the provision of financial advice to clients and the provision and ongoing servicing of the advised Portfolio Management Service

	2019	2018
	£	£
Revenue from services:		
<i>Recurring income</i>		
- Ongoing advice charges	11,455,853	11,880,960
- Renewal commission	366,210	575,286
- Interest income	145,157	64,170
<i>Transactional income</i>		
- Advice fees	9,057,227	10,121,516
	<u>21,024,447</u>	<u>22,641,932</u>

5. OPERATING PROFIT

	2019	2018
	£	£
Stated after charging:		
Auditors' remuneration – audit services	3,836	4,428
Amortisation	3,732	6,483
Depreciation	36,200	52,786
Staff costs	13,191,151	13,502,952
Other operating expenses	6,340,122	5,719,364
Operating lease rentals – land and buildings	<u>237,603</u>	<u>240,678</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 Advisory Services Limited

NOTES TO THE FINANCIAL STATEMENTS

6. STAFF COSTS AND DIRECTORS' REMUNERATION

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

	2019	2018
	No.	No.
Administrative functions	9	8
Operating and support functions	137	137
	<u>146</u>	<u>145</u>

Aggregate remuneration	2019	2018
	£	£
Wages and salaries	10,938,741	10,251,245
Social security costs	1,260,715	1,333,599
Other pension costs	1,798,191	1,751,004
Share-based payments	208,297	167,104
	<u>14,205,944</u>	<u>13,502,952</u>
Capitalised in year	(1,014,793)	-
Total for year	<u>13,191,151</u>	<u>13,502,952</u>

Directors' remuneration	2019	2018
	£	£
Emoluments	156,635	311,140
Pension contributions	3,039	7,912
	<u>159,674</u>	<u>319,052</u>

In addition to the amounts above, directors of the Company received an aggregate amount of £36,870 relating to the exercise of share options (2018: £72,496). Four directors (2018: 4) were members of money purchase pension schemes during the year. Four directors have exercised share options during the year (2018: 3). During the year awards under deferred bonus schemes were made to five key management personnel (2018: 5).

The emoluments of the highest paid director were £84,632 (2018: £124,120), pension contributions were £2,805 (2018: £nil) and gains on the exercise of share options were £23,528 (2018: £nil). The director received 15,755 shares under a long term incentive scheme in respect of qualifying services (2018: 24,944).

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	2019	2018
	£	£
Bank interest	<u>309,344</u>	<u>84,010</u>

Hargreaves Lansdown Advisory Services Limited

NOTES TO THE FINANCIAL STATEMENTS

8. TAX ON PROFIT

	2019	2018
	£	£
The total tax charge based on the profit for the year comprises:		
Current tax: on profits for the year	292,811	592,275
Current tax: adjustments in respect of prior years	(878)	(3,355)
	<u>291,933</u>	<u>588,920</u>
Deferred tax: origination and reversal of timing differences	(22,638)	24,355
Deferred tax: adjustments in respect of prior years	538	1,689
	<u>269,833</u>	<u>614,964</u>

Corporation tax is calculated at 19% of the estimated assessable profit for the year to 30 June 2019 (2018: 19%).

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

	2019	2018
	£	£
Deferred tax relating to share-based payments	76,221	(129,297)
Current tax relating to share-based payments	(108,766)	(161,239)
	<u>(32,545)</u>	<u>(290,536)</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 taxation is as follows:

	2019	2018
	£	£
Profit before taxation from continuing operations	<u>1,521,147</u>	<u>3,199,251</u>
Tax at the standard UK corporation tax rate of 19.00% (2018 – 19.00%)	289,018	607,858
Effects of:		
Expenses not deductible for tax purposes	(21,550)	3,037
Impact of change in UK tax rate on deferred tax	2,705	3,457
Adjustments in respect of prior years	(340)	(1,666)
Total tax charge for the year	<u>269,833</u>	<u>614,964</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 Group's profits for this accounting year are taxed at a standard rate of 19%. Deferred tax has been recognised at 18.5% 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 2019.

Hargreaves Lansdown Advisory Services Limited

NOTES TO THE FINANCIAL STATEMENTS

8. TAX ON PROFIT (CONTINUED)

Factors that may affect future tax charges

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 Act 2016 was substantively enacted on 6 September 2016 reducing the corporation tax 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 provided at 18.5% or 17% (2018: 19% or 17%) as follows:

	Fixed asset tax relief	Share based payments	Total
	£	£	£
At 1 July 2018	29,147	290,212	319,359
Charged during the year	(2,151)	(51,969)	(54,120)
At 30 June 2019	26,996	238,243	265,239
Deferred tax expected to be recovered or settled:			
Within 1 year after reporting period	5,689	80,911	86,600
> 1 year after reporting period	21,307	157,332	178,639
At 30 June 2019	26,996	238,243	265,239

9. INTANGIBLE ASSETS

	Computer software	Total
	£	£
Cost:		
At 1 July 2017	35,186	35,186
Additions	44,001	44,001
At 30 June 2018	79,187	79,187
Additions	1,419,700	1,419,700
At 30 June 2019	1,498,887	1,498,887
Accumulated amortisation:		
At 1 July 2017	24,701	24,701
Charge	6,483	6,483
At 30 June 2018	31,184	31,184
Charge	3,732	3,732
At 30 June 2019	34,916	34,916
Net book value:		
At 30 June 2019	1,463,971	1,463,971
At 30 June 2018	48,003	48,003
At 30 June 2017	10,485	10,485

The amortisation charge above is included in administrative expenses in the income statement.

Hargreaves Lansdown Advisory Services Limited

NOTES TO THE FINANCIAL STATEMENTS

10. TANGIBLE ASSETS

	Computer hardware £	Office equipment £	Total £
Cost:			
At 1 July 2017	311,288	12,300	323,588
Additions	38,165	-	38,165
At 30 June 2018	349,453	12,300	361,753
Additions	36,381	-	36,381
At 30 June 2019	385,834	12,300	398,134
Accumulated depreciation:			
At 1 July 2017	227,228	11,763	238,991
Provided during the year	52,385	401	52,786
At 30 June 2018	279,613	12,164	291,777
Provided during the year	36,064	136	36,200
At 30 June 2019	315,677	12,300	327,977
Net Book Value:			
At 30 June 2019	70,157	-	70,157
At 30 June 2018	69,840	136	69,976
At 30 June 2017	84,060	537	84,597

11. INVESTMENT IN SUBSIDIARY

	2019 £	2018 £
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 Pensions 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.

The subsidiary is exempt from the requirements to prepare, file and audit individual financial statements under s394A and s448A of Companies Act 2006.

12. TRADE AND OTHER RECEIVABLES

	2019 £	2018 £
Trade receivables	71,941	102,953
Amounts owed by group undertakings	17,047,892	27,972,368
Prepayments	64,880	12,935
Accrued income	1,463,405	1,599,348
	18,648,118	29,687,604

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

Hargreaves Lansdown Advisory Services Limited

NOTES TO THE FINANCIAL STATEMENTS

13. CURRENT LIABILITIES

	2019	2018
	£	£
Amounts owed to group undertakings	2,627,859	13,125,750
Other payables	1,308,935	1,618,677
Other taxes and social security	182,646	251,828
Accruals	268,282	406,761
Corporation tax	110,179	213,671
	<u>4,497,901</u>	<u>15,616,687</u>

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

14. CALLED UP SHARE CAPITAL

	Authorised, allotted, called up and fully paid			
	2019	2018	2019	2018
	No.	No.	£	£
Ordinary shares of £1 each	100	100	100	100

15. COMMITMENTS

At 30 June 2019 and 30 June 2018 the Company had outstanding commitments for future minimum lease payments under the remaining term of non-cancellable operating leases. The lease is held by Hargreaves Lansdown Asset Management Limited and the company charges other group companies for area occupied in the office. These payments fall due as follows:

	2019	2018
	£	£
Within one year	346,579	301,428
In the second to fifth years inclusive	1,347,670	1,207,924
After five years	621,224	824,788
Total minimum lease payments	<u>2,315,473</u>	<u>2,334,140</u>

Hargreaves Lansdown Advisory Services Limited

NOTES TO THE FINANCIAL STATEMENTS

16. SHARE-BASED PAYMENTS

Equity-settled share option scheme

The Company seeks to facilitate significant equity ownership by senior management, principally through schemes which encourage and assist the purchase of the Parent Company's shares. The group operates 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 and 2010) Schemes (the "Executive Option Schemes").

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 Schemes 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 (in most circumstances) if the employee leaves the group before the options vest.

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

	30 June 2019		30 June 2018	
	Share options	Weighted average	Share options	Weighted average
	No.	exercise price £	No.	exercise price £
SAYE				
Exercised during the year	40,955	10.641	18,921	6.323
Executive Option Schemes				
Exercised during the year	27,506	8.104	103,824	5.665

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

	30 June 2019		30 June 2018	
	Share Options No.	Weighted average exercise price (pence)	Share Options No.	Weighted average exercise price (pence)
Weighted average expected remaining life				
0-1 years	134,020	871.6	125,731	828.0
1-2 years	68,119	1265.9	116,497	986.5
2-3 years	36,269	1384.0	75,993	1265.8
	238,408	1062.2	318,221	990.6

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 has been based on the latest market value agreed with HM Revenue & Customs using an earnings multiples approach based on comparable quoted companies. 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.

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

Hargreaves Lansdown Advisory Services Limited

NOTES TO THE FINANCIAL STATEMENTS

17. SUBSEQUENT EVENTS

There are no material events to note since the year ended 30 June 2019.

18. 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.

	Ultimate Parent		Fellow Group undertakings	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
Debtors				
Assets	£	£	£	£
At the beginning of the year	27,972,368	7,296,600	-	4,404,959
Net amount (repaid)/advanced	(10,924,476)	20,675,768	-	(4,404,959)
At the end of the year	17,047,892	27,972,368	-	-
	Ultimate Parent		Fellow Group undertakings	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
Creditors				
Liabilities	£	£	£	£
At the beginning of the year	-	-	(13,125,750)	(210)
Net amount repaid/(advanced)	-	-	10,497,891	(13,125,540)
At the end of the year	-	-	(2,627,859)	(13,125,750)

Debtors from the ultimate parent and fellow group undertakings comprise amounts owed by group undertakings as shown in note 12.

Creditors to the ultimate parent and fellow group undertakings comprise amounts payable to group undertakings as shown in note 13.

The amounts mainly reflect that Hargreaves Advisory Services Limited 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.

19. 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.

Hargreaves Lansdown Advisory Services Limited

NOTES TO THE FINANCIAL STATEMENTS

20. FINANCIAL RISK MANAGEMENT

The company's financial risk management is based upon sound economic objectives and good corporate practice. No hedging transactions have taken place during the current or prior year.

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 thirteen months depending on the immediate cash requirements of the Company and earn interest at the respective fixed term deposit rates.

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 administration, 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 instruments 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.

The Company applies the simplified approach to providing for expected credit losses for receivables, allowing the use of lifetime expected loss provisions to be made. The expected loss in relation to receivables is considered to be immaterial, due to the short term nature of the receivable balance and the small value of assets that are outstanding for long periods, without any potential recourse allowing the Company to reclaim the balance.