

Hargreaves Lansdown Savings Limited

Report and Financial Statements

30 June 2021

Registered Number - 08355960



Hargreaves Lansdown Savings Limited

COMPANY INFORMATION

DIRECTORS

S Louden
P M Johnson
D James

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 Savings Limited

STRATEGIC REPORT

The directors submit their strategic report and audited financial statements for the year ended 30 June 2021.

REVIEW OF THE BUSINESS

Principal activities and business review

Hargreaves Lansdown Savings Limited (the “Company”) is a 92.5% owned subsidiary of Hargreaves Lansdown plc, and its principal activity during the year was the provision of a platform for cash saving services. 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.

In December 2017 we successfully launched our cash marketplace, Active Savings, to service this important asset class. The solution gives clients access to a wide range of banks’ savings products at competitive rates within a couple of clicks. It is revolutionary in the way it makes it easy and efficient for people to manage their cash savings alongside their investments in one place.

In the current interest rate environment the appeal of cash as an asset class is relatively limited but we are using this time to develop the proposition further and we intend to add more banks, deposit periods and tax wrappers as we move forward.

Revenue for the year was £1,206,100, up 55.0% from the previous year figure of £778,136, driven largely by the increase in the number of clients and the cash on the platform. The number of clients has increased from c.66,000 as at 30 June 2020 to c.91,000 as at 30 June 2021. Cash on deposit for clients has increased from £2,210.5 million as at 30 June 2020 to £3,139.9 million as at 30 June 2021, an increase of 42.0%.

The statement of financial position on page 10 shows that the Company had net assets of £14,660,294 at 30 June 2021 (2020: £13,715,687).

The average number of staff for the year ended 30 June 2021 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 Hargreaves Lansdown plc Group (the “Group”) and are not managed separately. The principal risks and uncertainties of the Group, which include those of the Company, are discussed in note 5.7 to the Hargreaves Lansdown plc Report and Financial Statements 2021 (“Group annual report”), which does not form part of these financial statements and is available from the Hargreaves Lansdown website. Those risks relevant only to the Company are disclosed in note 19 on page 24.

Key performance indicators (KPIs)

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 the Company.

The main KPIs monitored by the Company are profit or loss before tax and client cash on deposit, which are summarised in the table below.

| | 2021 | 2020 | % change |
|-----------------------------|-------------|-------------|----------|
| Loss before tax (£) | (6,230,163) | (4,720,254) | (32.0) |
| Client cash on deposit (£m) | 3,139.9 | 2,210.5 | 42.0 |

The development, performance and position of the Hargreaves Lansdown plc Group as a whole, which includes the Company, are discussed in the Hargreaves Lansdown plc Report and Financial Statements, which does not form part of this report.

Hargreaves Lansdown Savings Limited

STRATEGIC REPORT

SECTION 172 STATEMENT

Given the Group governance structure, the matters the board of the Company is responsible for considering in respect of the requirements of Section 172 of the Companies Act 2006 ('s172') have been considered appropriately by the Group board, on behalf of the Group and this entity. There is sufficient consideration made at a Group level to matters relevant to the Company and there are no matters that have impacted the Company in the year, which are not considered within the Group annual report on pages 113 to 114.

The strategic report is approved and signed on behalf of the Board



P M Johnson

Director

30 September 2021

Hargreaves Lansdown Savings Limited

DIRECTORS' REPORT

The directors present their report and audited financial statements for the year ended 30 June 2021.

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 loss for the financial year, amounted to £5,151,590 (2020: £3,867,989). The directors do not recommend the payment of a dividend (2020: £nil).

REVIEW OF THE BUSINESS

Financial instruments

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Hargreaves Lansdown plc Group (the "Group") and are not managed separately. The principal risks and uncertainties of Hargreaves Lansdown plc, which include those of the Company, are discussed on page 24 of the Hargreaves Lansdown plc Report and Financial Statements ("Group annual report") which does not form part of this report.

The material financial instruments of the Company include non-interest bearing intercompany debtors and creditors, further information can be found in note 19 to these financial statements on page 24. As discussed in the going concern section, the Company is reliant on the parent company Hargreaves Lansdown plc for support.

Going concern

The Company continues to develop its cash management platform to facilitate cash broking services. Whilst the Company's services are increasing in scale and popularity and development on services continues, the Company is loss making and will remain loss making until sufficient scale is achieved. Active Savings was launched in December 2017 and support has been provided by Hargreaves Lansdown plc. This support confirms that Hargreaves Lansdown plc will equip the Company with funds (including capital), in such a manner that the Company will be able to continue as a going concern for the foreseeable future. Accordingly, the directors consider it is appropriate to adopt the going concern basis in the preparation of the Company's financial statements.

The impact of Covid-19 has been seen most closely in relation to the fall in interest rates available to clients, which may impact the short-term demand seen from clients. These impacts are not expected to be long-term and as such the Directors do not believe this impacts on the ability of the Company to continue as a Going Concern. More information about the Group's response to the Covid-19 pandemic can be found in the Group annual report on pages 49 to 50.

DIRECTORS

The current directors are as listed on page 1. The directors of the Company who were in office during the year and up to the date of signing the financial statements were:

S Loudon
P M Johnson
D James

Directors' indemnities

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was introduced in August 2014 and is currently in force. 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 Savings Limited

DIRECTORS' REPORT

EMPLOYEES

We have consistently sought to recruit, train and retain the best employees in our market and this has contributed to the Company's 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 Group's Chief Executive Officer ("CEO") has made a number of 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 Company 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.

EVENTS AFTER STATEMENT OF FINANCIAL POSITION DATE

As stated in note 16 to the financial statements there are no material events to disclose.

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 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



P M Johnson

Director

30 September 2021

Hargreaves Lansdown Savings Limited

STATEMENTS 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, 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 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 also 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.

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

Hargreaves Lansdown Savings Limited

Independent auditors' report to the members of Hargreaves Lansdown Savings Limited

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 30 June 2021 and of its loss 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 2021; the income statement, the statement of comprehensive income and 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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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.

Hargreaves Lansdown Savings Limited

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

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and the Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and the Directors' Report for the year ended 30 June 2021 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 the 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, 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK regulatory principles, such as those governed by the Financial Conduct Authority, the Electronic Money Regulations 2011, the Payment Services Regulations and UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase reported revenue of the company. Audit procedures performed by the engagement team included:

- Discussions with the Risk and Compliance function, Internal Audit and the company's legal counsel, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Reading key correspondence with the Financial Conduct Authority in relation to compliance with laws and regulations;
- Reviewing relevant Board meeting minutes;

Hargreaves Lansdown Savings Limited

- Reviewing information regarding customer complaints and the company's register of litigation and claims, in so far as they related to potential non-compliance with laws and regulations and fraud;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations increasing reported revenues;
- Designing audit procedures to incorporate unpredictability around nature, timing or extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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.

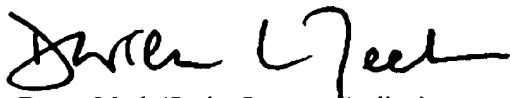
Other required reporting

Companies Act 2006 exception reporting

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

- we have not obtained 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.



Darren Meek (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
30 September 2021

Hargreaves Lansdown Savings Limited

INCOME STATEMENT

For the year ended 30 June 2021

| | Note | 2021 £ | 2020 £ |
|--|------|--------------------|--------------------|
| Revenue | 4 | 1,206,100 | 778,136 |
| Administrative expenses | | (7,436,263) | (5,500,799) |
| Operating loss | 5 | (6,230,163) | (4,722,663) |
| Interest receivable and similar income | | - | 2,409 |
| Loss before taxation | | (6,230,163) | (4,720,254) |
| Tax on loss | 7 | 1,078,573 | 852,265 |
| Loss for the financial year | | <u>(5,151,590)</u> | <u>(3,867,989)</u> |

All amounts relate to continuing operations.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2021

| | 2021 £ | 2020 £ |
|--|--------------------|--------------------|
| Loss for the financial year | (5,151,590) | (3,867,989) |
| Total comprehensive loss for the year | <u>(5,151,590)</u> | <u>(3,867,989)</u> |

The notes on pages 13 to 27 are an integral part of these financial statements.

Hargreaves Lansdown Savings Limited

STATEMENT OF FINANCIAL POSITION At 30 June 2021

| | Note | 2021 £ | 2020 £ |
|----------------------------------|------|---------------------|---------------------|
| Fixed assets | | | |
| Intangible assets | 8 | 9,868,356 | 9,443,649 |
| Tangible assets | 9 | 10,662 | 31,995 |
| Investments | 10 | 2 | 2 |
| | | <u>9,879,020</u> | <u>9,475,646</u> |
| Current assets | | | |
| Trade and other receivables | 11 | 743,405 | 1,628,260 |
| Cash at bank and in hand | | <u>10,887,620</u> | <u>4,153,833</u> |
| | | <u>11,631,025</u> | <u>5,782,093</u> |
| Current liabilities | | | |
| Trade and other payables | 12 | (6,347,621) | (1,030,565) |
| Deferred tax liabilities | 7 | (502,130) | (511,487) |
| Net current assets | | <u>4,781,274</u> | <u>4,240,041</u> |
| Net assets | | <u>14,660,294</u> | <u>13,715,687</u> |
| Capital and reserves | | | |
| Called up share capital | 13 | 34,000,100 | 28,000,100 |
| Accumulated Losses | | <u>(19,339,806)</u> | <u>(14,284,413)</u> |
| Total shareholders' funds | | <u>14,660,294</u> | <u>13,715,687</u> |

The financial statements on pages 10 to 27 of Hargreaves Lansdown Savings Limited, registered number 08355960, were approved and authorised for issue by the board of directors on 30 September 2021 and signed on its behalf by:



P M Johnson

Director

The notes on pages 13 to 27 are an integral part of these financial statements.

Hargreaves Lansdown Savings Limited

STATEMENT OF CHANGES IN EQUITY For the year ended 30 June 2021

| | Called up Share capital £ | Accumulated Losses £ | Total shareholders' funds £ |
|---|---------------------------------|----------------------------|--------------------------------------|
| At 1 July 2019 | 22,000,100 | (10,498,640) | 11,501,460 |
| Loss and total comprehensive loss for the year | - | (3,867,989) | (3,867,989) |
| Capital contribution | 6,000,000 | - | 6,000,000 |
| Employee share option scheme: | | | |
| Share-based payments charge | - | 50,621 | 50,621 |
| Current tax effect of share-based payments | - | 48,566 | 48,566 |
| Deferred tax effect of share-based payments | - | (16,971) | (16,971) |
| At 30 June 2020 | 28,000,100 | (14,284,413) | 13,715,687 |
| Loss and total comprehensive loss for the year | - | (5,151,590) | (5,151,590) |
| Capital contribution | 6,000,000 | - | 6,000,000 |
| Employee share option scheme: | | | |
| Share-based payments charge | - | 84,037 | 84,037 |
| Current tax effect of share-based payments | - | 11,870 | 11,870 |
| Deferred tax effect of share-based payments | - | 290 | 290 |
| At 30 June 2021 | 34,000,100 | (19,339,806) | 14,660,294 |

Accumulated losses represents accumulated comprehensive expense for the current and prior years plus share-based payments adjustments and related tax credits/ (charges).

The notes on pages 13 to 27 are an integral part of these financial statements.

Hargreaves Lansdown Savings Limited

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Hargreaves Lansdown Savings Limited (the “Company”) is a private company limited by shares, incorporated in England and Wales 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, England, United Kingdom. The Company is a subsidiary of Hargreaves Lansdown plc. The nature of the Company’s operations and its principal activities are the provision of a platform for cash saving services.

These financial statements are presented in pound 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 international accounting standards in conformity with the requirements of the Companies Act 2006 (‘IFRS’) and the applicable legal requirements of the Companies Act 2006. In addition to complying with international accounting standards in conformity with the requirements of the Companies Act 2006, the financial statements also comply with international financial reporting standards adopted pursuant to Regular (EC) No 1606/2002 as it applies in the European Union. The financial statements have been prepared on the going concern basis, under the historical cost convention 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 significant 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 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 2021. 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 requirement of paragraphs 6 and 21 of IFRS 1 ‘Presentation of Financial Statements’ to present an opening statement of financial position at the date of transition
- 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 paragraph 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 Savings 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:

- Amendments to References to the Conceptual Framework in IFRS Standards;
- Amendments to IFRS 3 - 'Definition of a Business';
- Amendments to IAS 1 and IAS 8 - 'Definition of material';

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

- IFRS 17 - 'Insurance Contracts';
- IFRS 10 and IAS 28 (amendments) - 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture';
- Amendments to IAS 1 - 'Classification of Liabilities as Current or Non-current';
- Amendments to IFRS 3 Reference to the Conceptual Framework;
- Amendments to IAS 16 - 'Property, Plant and Equipment - Proceeds before Intended Use';
- Amendments to IAS 37 - 'Onerous contracts - Cost of Fulfilling a Contract'
- Annual Improvements to IFRS Standards 2018 - 2020 Cycle (Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture)

The financial statements have been prepared on the historical cost basis. 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

Revenue is derived from interest earned from and payable on client balances and is the net interest margin earned by the Company. It 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 Going concern

The Company launched a cash management platform to facilitate cash broking services in December 2017. Whilst the services and development continues the Company is loss making and will remain loss making, with net liabilities, until sufficient scale is achieved subsequent to the launch of the services. The Directors of Hargreaves Lansdown plc have confirmed that the group will equip the Company with funds (including capital), in such a manner that the Company will be able to continue as a going concern for the foreseeable future and at least 12 months from the date of the approval of these financial statements. Accordingly, the directors consider it appropriate to adopt the going concern basis in the preparation of the Company's financial statements

2.4 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 and include recharges from other group entities. All amounts are recognised on an accruals basis.

2.5 Intangible assets

Other intangible assets comprise computer software and internally generated assets, which are stated at cost less amortisation and any recognised impairment loss. Amortisation is provided, where material, on all intangible assets 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:

Hargreaves Lansdown Savings Limited

NOTES TO THE FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES (CONTINUED)

2.5 Intangible assets (continued)

Computer software – over three to eight years

Internally generated assets (core system upgrades) – over eight years

Computer software relates to purchases of licences and software. 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 income statement.

Internally generated assets represent IT development costs that are capitalised only to the extent that they have led, or will lead, to the creation of enduring assets, which deliver benefits at least as great as the amount capitalised and in accordance with the recognition criteria of IAS 38 intangible assets. When assessing projects for capitalisation we apply IAS 38's recognition and measurement criteria for internally generated intangible assets to development expenditure that is both propositional in nature (as opposed to regulatory or administrative), and which is, or is expected to be, material over the life of the project.

In-house development work has been undertaken to develop digital cash savings products. Development commenced in the year to 30 June 2016. As assets are completed and launched they are amortised from the date of launch, each with the relevant amortisation period.

Costs relating to an asset that is not yet fully available for use by the business, are also classified as internally developed software and are reviewed for impairment at least annually. No issues have been noted in the current year. In accordance with the provisions of IAS 38 the costs are capitalised as an intangible asset and subsequently amortised over the estimated useful life of the systems of eight years, starting from the date at which the assets are put into use.

Impairment of intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its 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 Company estimates the recoverable amount of the asset. 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 Tangible assets

Tangible assets 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 equipment

- over 3 to 10 years

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

Hargreaves Lansdown Savings Limited

NOTES TO THE FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES (CONTINUED)

2.7 Pensions

The Group operates a defined contribution group personal pension plan for staff, to which employees of the Company are eligible to enrol. 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.

2.8 Employee benefits

The Company recognises short-term employee benefits such as salaries, social security contributions, paid annual leave and bonuses, on an accruals basis, 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.

2.9 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, 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. The carrying amount of these assets is approximately equal to their fair value.

Cash deposited by clients within products offered is held in either the clients' names or in designated non-Company accounts, in line with safeguarding requirements under EMR 2011 and PSR. These funds do not form part of the cash and cash equivalents noted within these financial statements.

2.10 Current and deferred taxation

The tax credit 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.

2.11 Trade and other receivables

Financial assets are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument and are initially measured at fair value.

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.

2.12 Trade and other payables

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

Hargreaves Lansdown Savings Limited

NOTES TO THE FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES (CONTINUED)

2.13 Government grants

The Company receives government grants for research and development undertaken in relation to order to develop the Active Savings platform. These grants are accounted for by being offset against the internal development costs capitalised as an intangible asset. This in turn decreases the gross value of the internally generated intangible.

This is the only type of government grant or assistance that the Company has recognised in the current financial year. There are no performance obligations related to the receipt of this balance that the Company has yet to fulfil.

2.14 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 provides equity-settled share-based awards 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 critical judgements required in respect of the application of the Company's accounting policies. The only significant assumptions and sources of estimation uncertainty that exist at the end of the reporting period are as outlined below.

Internally generated intangible assets

The Company is making a significant investment in the development of the HL Savings proposition. Given the expected long-term economic benefit that this is expected to bring, development costs are being capitalised. The Company has reviewed and approved the policy for capitalising such intangible assets and ensuring they are in accordance with IAS 38. The product launched in December 2017 and £14.7 million of development costs incurred since 1 July 2015 have been capitalised. In the current year an assessment has been made of the recoverable amount, which requires estimation of future cash flows and appropriate discount rates for the purpose of its calculation. The valuation was performed over a range of discount and growth rates, with value in use calculations ranging from £12.7m to £25.4m, using discount rates ranging between 8.5% and 10.7%.

4. REVENUE

| | 2021 | 2020 |
|---|------------------|----------------|
| Revenue | £ | £ |
| Revenue from net interest margin on client deposits | 1,206,100 | 778,136 |
| | <u>1,206,100</u> | <u>778,136</u> |

Hargreaves Lansdown Savings Limited

NOTES TO THE FINANCIAL STATEMENTS

5. OPERATING LOSS

Stated after charging:

| | 2021 | 2020 |
|---|-----------|-----------|
| | £ | £ |
| Auditors' remuneration - audit services | 45,000 | 6,341 |
| Auditors' remuneration – non audit services | 132,000 | - |
| Depreciation of tangible assets | 21,333 | 26,496 |
| Amortisation of intangible assets | 1,703,443 | 1,457,607 |
| Staff costs | 1,227,292 | 855,844 |

6. STAFF COSTS AND DIRECTORS' REMUNERATION

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

| | 2021 | 2020 |
|---------------------------------|------|------|
| | No. | No. |
| Operating and support functions | 32 | 35 |

| Aggregate remuneration | 2021 | 2020 |
|-------------------------------|-------------|-------------|
| | £ | £ |
| Wages and salaries | 2,178,007 | 2,495,504 |
| Social security costs | 283,330 | 220,203 |
| Share based payments | 84,037 | 51,005 |
| Other pension costs | 398,429 | 386,612 |
| | 2,943,803 | 3,153,324 |
| Less: Capitalised staff costs | (1,716,511) | (2,297,480) |
| | 1,227,292 | 855,844 |

As noted above, certain staff costs have been capitalised under intangible assets as assets under construction. In total £1,348,008 of wages and salaries (2020: £1,970,838), social security costs of £162,287 (2020: £171,868) and pension costs of £206,215 (2020: £154,774) were capitalised in the year.

| Directors' remuneration | 2021 | 2020 |
|-------------------------|---------|-----------|
| | £ | £ |
| Emoluments | 613,774 | 1,012,134 |
| Pension Contributions | 38,993 | 25,006 |
| | 652,767 | 1,037,140 |

In addition to the amounts above, directors of the Company received an aggregate amount of £338,379 relating to the exercise of share options (2020: £165,273). Three directors (2020: 2) were members of money purchase pension schemes during the year. Three directors have exercised share options during the year (2020: 2). During the year awards under the long-term incentive schemes were made to three key management personnel (2020: 7).

The emoluments of the highest paid director were £467,918 (2020: £557,636), pension contributions were £34,760 (2020: £19,892) and gains on the exercise of share options were 46,789 (2020: £nil). The highest paid director received 4,009 share options under long-term incentive schemes (2020: 2,792).

Hargreaves Lansdown Savings Limited

NOTES TO THE FINANCIAL STATEMENTS

7. TAX ON LOSS

| | 2021 £ | 2020 £ |
|---|--------------------|------------------|
| The total tax credit based on the loss for the year comprises: | | |
| Current tax: on loss for the year | (1,162,356) | (911,916) |
| Current tax: adjustments in relation to the prior year | 92,852 | (11,364) |
| Deferred tax: origination and reversal of timing differences | (2,557) | 18,985 |
| Deferred tax: adjustments in relation to the prior year | (96,185) | 6,634 |
| Deferred tax: impact of UK tax rate changes on opening balances | 89,673 | 45,396 |
| | <u>(1,078,573)</u> | <u>(852,265)</u> |

Corporation tax is calculated at 19% of the estimated assessable loss for the year to 30 June 2021 (2020: 19%).

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

| | 2021 £ | 2020 £ |
|---|-----------------|-----------------|
| Deferred tax relating to share-based payments | (290) | 16,971 |
| Current tax relating to share-based payments | (11,870) | (48,566) |
| | <u>(12,160)</u> | <u>(31,595)</u> |

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

| | 2021 £ | 2020 £ |
|---|--------------------|------------------|
| Loss before taxation | (6,230,163) | (4,720,255) |
| Tax at the standard UK corporation tax rate of 19% (2020 – 19%) | (1,183,731) | (896,849) |
| Effects of: | | |
| Expenses not deductible for tax purposes | 38 | 3,918 |
| Impact of change in UK tax rate on deferred tax opening balances | 89,673 | 45,396 |
| Impact of change in UK tax rate on temporary difference movements | 18,780 | - |
| Adjustments in relation to prior years | (3,333) | (4,731) |
| Total tax credit for year | <u>(1,078,573)</u> | <u>(852,265)</u> |

The taxation credit in the year relates to amounts that will be group relieved to other fellow subsidiaries of Hargreaves Lansdown plc in return for a corresponding amount of cash.

Factors affecting tax credit for the year

It is expected that the ongoing effective tax rate will remain at a rate approximating to the standard UK corporation tax rate in the medium term, except for the impact of deferred tax arising from the timing of exercising of share options which is not under our control. Following the enactment of Finance Act 2020 the standard UK corporation tax rate will now remain at 19% before increasing to 25% from 1 April 2023. Accordingly, the Company's profits for this accounting year are taxed at 19%. Deferred tax has been recognised at either 19% or 25%, being the rate expected to be in force at the time of the reversal of the temporary difference. This is an increase from the rate of 19% used in the prior year. A deferred tax asset in respect of future share option deductions has been recognised based on the Company's share price as at 30 June 2021.

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.

Hargreaves Lansdown Savings Limited

NOTES TO THE FINANCIAL STATEMENTS

7. TAX ON LOSS (CONTINUED)

Deferred tax liabilities

| | Fixed asset tax relief £ | Share based payments £ | Other temp. differences £ | Total £ |
|---|-----------------------------|---------------------------|------------------------------|------------|
| Deferred tax is recognised at 19% and 25% (2020: 19%) as follows: | | | | |
| At 1 July 2019 | (517,975) | 55,370 | 39,102 | (423,503) |
| (Charge)/credit to income | (98,020) | 12,078 | 14,928 | (71,014) |
| Charge to equity | - | (16,970) | - | (16,970) |
| At 30 June 2020 | (615,995) | 50,478 | 54,030 | (511,487) |
| (Charged)/credited to income | 5,091 | (614) | 4,590 | 9,067 |
| Credit to equity | - | 290 | - | 290 |
| At 30 June 2021 | (610,904) | 50,154 | 58,620 | (502,130) |
| Deferred tax expected to be recovered or settled: | | | | |
| Within 1 year after reporting period | (88,229) | 17,058 | 58,620 | (12,551) |
| > 1 year after reporting period | (522,675) | 33,096 | - | (489,579) |
| | (610,904) | 50,154 | 58,620 | (502,130) |

8. INTANGIBLE ASSETS

| | Internally generated assets £ | Computer software £ | Total £ |
|----------------------------------|----------------------------------|------------------------|------------|
| Cost: | | | |
| At 1 July 2019 | 10,332,324 | 52,185 | 10,384,509 |
| Additions | 2,220,566 | 129 | 2,220,695 |
| At 30 June 2020 | 12,552,890 | 52,314 | 12,605,204 |
| Additions | 2,128,150 | - | 2,128,150 |
| Disposals | - | (107) | (107) |
| At 30 June 2021 | 14,681,040 | 52,207 | 14,733,247 |
| Accumulated amortisation: | | | |
| At 1 July 2019 | 1,655,012 | 48,936 | 1,703,948 |
| Provided during the year | 1,457,137 | 470 | 1,457,607 |
| At 30 June 2020 | 3,112,149 | 49,406 | 3,161,555 |
| Provided during the year | 1,700,535 | 2,908 | 1,703,443 |
| Disposals | - | (107) | (107) |
| At 30 June 2021 | 4,812,684 | 52,207 | 4,864,891 |
| Net Book Value: | | | |
| At 30 June 2021 | 9,868,356 | - | 9,868,356 |
| At 30 June 2020 | 9,440,741 | 2,908 | 9,443,649 |
| At 30 June 2019 | 8,677,312 | 3,249 | 8,680,561 |

The amortisation charge above is included in administrative expenses in the income statement. Internally generated assets represent the development of the IT platform for a digital cash deposit service and subsequent products developed to complement this service. The development of the IT platform was completed and the service launched in the year ended 30 June 2018, amortisation of the asset began in December 2017.

Hargreaves Lansdown Savings Limited

NOTES TO THE FINANCIAL STATEMENTS

8. INTANGIBLE ASSETS (CONTINUED)

Development has continued, with further capitalisation occurring throughout the year. These asset are being amortised over a period of 8 years each. Computer software includes no internally generated value.

Reducing the additions to internally generated assets are government grants received for research and development amounting to £11,800.98, (2020: £86,483), which are offset against the costs capitalised.

9. TANGIBLE ASSETS

| | Computer equipment £ | Total £ |
|----------------------------------|----------------------------|------------|
| Cost: | | |
| At 1 July 2019 | 115,557 | 115,557 |
| Additions | - | - |
| At 30 June 2020 | 115,557 | 115,557 |
| Additions | - | - |
| At 30 June 2021 | 115,557 | 115,557 |
| Accumulated depreciation: | | |
| At 1 July 2019 | 57,066 | 57,066 |
| Provided during the year | 26,496 | 26,496 |
| At 30 June 2020 | 83,562 | 83,562 |
| Provided during the year | 21,333 | 21,333 |
| At 30 June 2021 | 104,895 | 104,895 |
| Net Book Value: | | |
| At 30 June 2021 | 10,662 | 10,662 |
| At 30 June 2020 | 31,995 | 31,995 |
| At 30 June 2019 | 58,491 | 58,491 |

10. INVESTMENTS

| | 2021 £ | 2020 £ |
|----------------------------------|-----------|-----------|
| Investment in subsidiary company | 2 | 2 |

The investment in the ordinary share capital of the subsidiary undertaking, which is incorporated in the United Kingdom, is as follows for the current and prior year:

| Name of company | Nature of business | Country of incorporation | Shares held | Voting rights | Registered address |
|--|-----------------------|-----------------------------|----------------|------------------|--|
| Hargreaves Lansdown Savings Nominees 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.

11. TRADE AND OTHER RECEIVABLES

| | 2021 £ | 2020 £ |
|------------------------------------|-----------|-----------|
| Trade receivables | 141,764 | 188,201 |
| Amounts owed by group undertakings | 42,228 | 985,995 |
| Other receivables | 151,364 | 139,679 |
| Prepayments | 105,521 | 79,931 |
| Accrued income | 302,528 | 234,454 |
| | 743,405 | 1,628,260 |

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand. Included within amounts owed by group undertakings is an amount of £nil (2020: £971,847) which relates to corporation tax losses which will be group relieved to other fellow subsidiaries.

Hargreaves Lansdown Savings Limited

NOTES TO THE FINANCIAL STATEMENTS

12. TRADE AND OTHER PAYABLES

| | 2021 | 2020 |
|------------------------------------|------------------|------------------|
| | £ | £ |
| Amounts owed to group undertakings | 5,308,367 | 36,744 |
| Other payables | 503,327 | 576,286 |
| Other taxes and social security | 100,816 | 169,940 |
| Accruals | 435,111 | 247,595 |
| | <u>6,347,621</u> | <u>1,030,565</u> |

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand. The amount owed to group undertakings is net of an amount of £1,081,374 (2020: £nil) receivable from other group undertakings in respect of group relieved corporation tax losses.

13. CALLED UP SHARE CAPITAL

| | Authorised, allotted, called up and fully paid | | | |
|-------------------------------|--|-------------------|-------------------|-------------------|
| | 2021 | 2020 | 2021 | 2020 |
| | No. | No. | £ | £ |
| Ordinary shares of £0.10 each | 1,000 | 1,000 | 100 | 100 |
| A Class Shares of £1 each | 34,000,000 | 28,000,000 | 34,000,000 | 28,000,000 |
| | <u>34,001,000</u> | <u>28,001,000</u> | <u>34,000,100</u> | <u>28,000,100</u> |

Ordinary shares entitle the holder to one vote per share and the right to income distributions in equal amount per shares. A Class shares do not carry the rights to vote or to income distribution.

14. CONTINGENCIES

The Company operates in a highly regulated environment and, in the ordinary course of business, is required to provide information to various authorities as part of informal and formal requests and enquiries. While there are inherent uncertainties in the outcome of such enquiries, it is not practicable to estimate the financial impact, if any, on the Company's results or net assets at the year end.

15. 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 parent company's shares. The Group operates three share option and share award plans: the Employee Savings-Related Share Option Scheme (SAYE), the Hargreaves Lansdown plc Share Incentive Plan (SIP) and the Hargreaves Lansdown Company Share Option Scheme (the Executive Option Scheme).

Awards granted under the Employee SAYE scheme vest over three 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 (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 2021 | | 30 June 2020 | |
|--------------------------------|----------------------|---|----------------------|---|
| | Share options No. | Weighted average exercise price £ | Share options No. | Weighted average exercise price £ |
| SAYE | | | | |
| Exercised during the year | 4,123 | 13.7305 | 8,500 | 10.3731 |
| Executive Option Scheme | | | | |
| Exercised during the year | 5,763 | 5.1015 | - | - |

Hargreaves Lansdown Savings Limited

NOTES TO THE FINANCIAL STATEMENTS

15. SHARE BASED PAYMENTS (CONTINUED)

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

| | Year ended 30 June 2021 | | Year ended 30 June 2020 | |
|---|----------------------------|---|----------------------------|---|
| | Share Options No. | Weighted average exercise price (pence) | Share Options No. | Weighted average exercise price (pence) |
| Weighted average expected remaining life | | | | |
| 0-1 years | 17,558 | 1,002.0 | 20,093 | 993.0 |
| 1-2 years | 20,167 | 810.6 | 7,204 | 811.7 |
| 2-3 years | 10,019 | 739.0 | 20,013 | 807.9 |
| | 47,744 | 866.0 | 47,310 | 887.1 |

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.

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

16. SUBSEQUENT EVENTS

There are no material events to note since the year ended 30 June 2021.

17. RELATED PARTY TRANSACTIONS

| Receivables | Ultimate Parent | | Fellow Group undertakings | |
|-------------------------------|-----------------|----------|---------------------------|----------|
| | 2021 | 2020 | 2021 | 2020 |
| Assets | £ | £ | £ | £ |
| At the beginning of the year | - | - | 985,995 | - |
| Net amount advanced/ (repaid) | - | - | (943,767) | 985,995 |
| At the end of the year | - | - | 42,228 | 985,995 |
| Payables | Ultimate Parent | | Fellow Group Undertakings | |
| | 2021 | 2020 | 2021 | 2020 |
| Liabilities | £ | £ | £ | £ |
| At the beginning of the year | (36,742) | (1,377) | (2) | (62,804) |
| Net amount (advanced)/repaid | (6,263) | (35,365) | (5,265,360) | 62,802 |
| At the end of the year | (43,005) | (36,742) | (5,265,362) | (2) |

Hargreaves Lansdown Savings Limited

NOTES TO THE FINANCIAL STATEMENTS

17. RELATED PARTY TRANSACTIONS (CONTINUED)

Receivables from the ultimate parent and fellow group undertakings comprise amounts owed by group undertakings as shown in note 11. Payables to the ultimate parent and fellow group undertakings comprise amounts payable to group undertakings as shown in note 12.

The amounts mainly reflect operational expenses incurred by the Company are being paid for by Hargreaves Lansdown Asset Management Limited, a fellow group undertaking, and then recharged to the Company. Netted against payables, as per note 12, is an amount of £1,081,374 (2020: £971,847 receivable as per note 11) in relation to corporation tax losses that have been group relieved to other companies.

Amounts owed accrue no interest and are repayable upon demand.

Capital Contribution

During the year the parent company increased its share holding in the A Class shares by £6,000,000, through a purchase of shares for consideration in cash. Further details can be found in note 13.

Remuneration of key management personnel

The remuneration of the key management personnel of the Company, being those personnel who were either a member of the Board of the Company or a member of the Executive Committee during the relevant year shown below, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

| | Year ended 30 June 2021 | Year ended 30 June 2020 |
|--|----------------------------|----------------------------|
| | £ | £ |
| Short-term employee benefits | 585,517 | 902,930 |
| Post-employment benefits | 38,993 | 25,006 |
| Other long term benefits | 17,277 | - |
| Share-based payments | 89,569 | 109,204 |
| Total remuneration of key management personnel | 731,356 | 1,037,140 |

Further details regarding directors' remuneration is set out in note 6 to these financial statements.

18. ULTIMATE PARENT UNDERTAKING

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. 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.

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial risk management

Financial assets principally comprise trade and other receivables and cash and cash equivalents. Financial liabilities comprise certain trade and other payables and accruals. The main risks arising from financial instruments are market risk (including interest rate risk), liquidity risk, and credit risk. Each of these risks is discussed in detail below.

Liquidity risk

The Company is exposed to liquidity risk, namely the risk that it may be unable to meet its payment obligations as they fall due. The Company holds significant liquid assets.

The table on the next page analyses the maturities of the undiscounted cash flows relating to financial liabilities of the Company based on the remaining period to the contractual maturity date at 30 June 2021 and 30 June 2020.

Hargreaves Lansdown Savings Limited

NOTES TO THE FINANCIAL STATEMENTS

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

| | 0-3 months | 3-12 months | Over 1 year | Total |
|-----------------------------------|------------------|-------------|---------------|------------------|
| | £ | £ | £ | £ |
| At 30 June 2021 | | | | |
| Other payables | 503,327 | - | - | 503,327 |
| Amount owed to group undertakings | 5,308,367 | - | - | 5,308,367 |
| Accruals | 435,111 | - | - | 435,111 |
| | <u>6,246,805</u> | <u>-</u> | <u>-</u> | <u>6,246,805</u> |
| At 30 June 2020 | | | | |
| Other payables | 531,286 | - | 45,000 | 576,286 |
| Amount owed to group undertakings | 36,744 | - | - | 36,744 |
| Accruals | 247,595 | - | - | 247,595 |
| | <u>815,625</u> | <u>-</u> | <u>45,000</u> | <u>860,625</u> |

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 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.

At 30 June 2021 the value of financial instruments exposed to interest rate risk was £10,887,620 (2020: £4,153,833) comprising cash and cash equivalents. At 30 June 2021, segregated deposit amounts held by the Group on behalf of clients under the Company's e-money licence were £87.7m (2020: £63.5m). The client retains the beneficial interest in both these deposits and cash accounts, and accordingly, they are not included in the statement of financial position of the Company.

A 50bps (0.5%) (2020: 50bps) move in interest rates would have the following impact on the revenue of the company:

| | 2021 |
|----------------------------------|-----------------|
| | £ |
| Increase in rate of 50bps (0.5%) | 54,438 |
| Decrease in rate of 50bps (0.5%) | <u>(54,438)</u> |

Credit risk

The Company has no significant concentrations of credit risk other than in respect of its cash holdings. 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 carries out regular reviews of all its banks' and custodians' credit ratings.

As at 30 June 2020 and 30 June 2021, no financial assets were individually determined to be impaired.

Hargreaves Lansdown Savings Limited

NOTES TO THE FINANCIAL STATEMENTS

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

The following table discloses the Company's maximum exposure to credit risk on financial assets:

| | At 30 June 2021 | At 30 June 2020 |
|---|--------------------|--------------------|
| | £ | £ |
| Financial instruments subsequently measured at amortised cost: | | |
| Cash and cash equivalents | 10,887,620 | 4,153,833 |
| Trade, other receivables and accrued income | 595,656 | 562,334 |
| Amounts owed by group undertakings | 42,228 | 985,995 |
| | 11,525,504 | 5,702,162 |

The following table contains an analysis of financial assets as at 30 June 2021 and 30 June 2020. An asset is past due when the counterparty has failed to make a payment when contractually due.

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. To determine expected credit losses financial assets have been grouped based on shared credit risk characteristics, being the number of days past due.

| | Neither impaired nor past due | 0-3 months past due | 3-6 months past due | 6-12 months past due | Total |
|------------------------------------|-------------------------------------|------------------------|------------------------|-------------------------|------------------|
| | £ | £ | £ | £ | £ |
| At 30 June 2021 | | | | | |
| Trade and other receivables | 151,364 | 96,162 | 45,030 | 572 | 293,128 |
| Amounts owed by group undertakings | 42,228 | - | - | - | 42,228 |
| Accrued income | 302,528 | - | - | - | 302,528 |
| | 496,120 | 96,162 | 45,030 | 572 | 637,884 |
| At 30 June 2020 | | | | | |
| Trade and other receivables | 198,312 | 67,835 | 58,369 | 3,364 | 327,880 |
| Amounts owed by group undertakings | 985,995 | - | - | - | 985,995 |
| Accrued income | 234,455 | - | - | - | 234,455 |
| | 1,418,762 | 67,835 | 58,369 | 3,364 | 1,548,330 |

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.

Hargreaves Lansdown Savings Limited

NOTES TO THE FINANCIAL STATEMENTS

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

The table below shows the credit quality of financial assets that are neither past due nor impaired using the following counterparty gradings:

- Financial institutions - In respect of amounts due from UK financial institutions regulated by the Prudential Regulation Authority (PRA).
- Related parties - In respect of amounts due from entities within the Hargreaves Lansdown plc Group.

| | Financial institutions | Related parties | Total |
|------------------------------------|------------------------|-----------------|-------------------|
| | £ | £ | £ |
| At 30 June 2021 | | | |
| Trade and other receivables | 151,364 | - | 151,364 |
| Amounts owed by group undertakings | - | 42,228 | 42,228 |
| Accrued income | 302,528 | - | 302,528 |
| Cash and cash equivalents | 10,887,620 | - | 10,887,620 |
| | <u>11,341,512</u> | <u>42,228</u> | <u>11,383,740</u> |
| At 30 June 2020 | | | |
| Trade and other receivables | 198,312 | - | 198,312 |
| Amounts owed by group undertakings | - | 985,995 | 985,995 |
| Accrued income | 234,455 | - | 234,455 |
| Cash and cash equivalents | 4,153,833 | - | 4,153,833 |
| | <u>4,586,600</u> | <u>985,995</u> | <u>5,572,595</u> |

Capital management

The Company is regulated by the FCA and was granted an e-money licence on 26 March 2020. The Company has capital resources of £4.7m as at year-end. 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.