Hargreaves Lansdown plc
Interim results for the six months ended 31 December 2018

Hargreaves Lansdown plc (“HL” or “the Group”) today announces interim results for the six month period ended 31 December 2018.

Highlights

- Net new business of £2.5 billion.
- Assets under administration down 6% since 30 June 2018 to £85.9 billion.
- 1,136,000 active clients, an increase of 45,000 since 30 June 2018.
- Profit before tax increase of 4% to £153.4 million.
- Interim dividend up 2% to 10.3 pence per share (H1 2018: 10.1p)

Chris Hill, Chief Executive Officer, commented:

“The diversified nature of Hargreaves Lansdown has enabled us to continue growing despite a period of geopolitical uncertainty, market volatility and weak investor confidence. We have a significant long-term market opportunity and our recent investment in service and developing our proposition are bringing real benefits to the business and our clients, both in difficult times such as the present and as and when conditions improve.”

Financial highlights	**6 months ended 31 December 2018**	6 months ended 31 December 2017	**Change %**	Year ended 30 June 2018
	(H1 2019)	(H1 2018)		(FY 2018)
Net new business	**£2.53bn**	£3.34bn	**-24%**	£7.6bn
Total assets under administration (AUA)	**£85.9bn**	£86.1bn	**-0.2%**	£91.6bn
Net revenue	**£236.4m**	£216.0m	**+9%**	£447.5m
Profit before tax	**£153.4m**	£146.9m	**+4%**	£292.4m
Diluted earnings per share	**26.1p**	25.0p	**+4%**	49.6p
Interim dividend per share	**10.3p**	10.1p	**+2%**	10.1p

* Net revenue is total revenue less commission payable / loyalty bonus (see Glossary of alternative performance measures on page 24)

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Analyst presentation

Hargreaves Lansdown will be hosting an analyst presentation at 9.00am on 29 January 2019 following the release of these results for the half year ended 31 December 2018. Attendance is by invitation only. A conference call facility will be in place with the following participant dial-in numbers – UK (toll free) 0800 640 6441, UK (local) 020 3936 2999 and all other locations +44 20 3936 2999. The participant access code is 762014. Slides accompanying the analyst presentation will be available at www.hl.co.uk/investor-relations and an audio recording of the analyst presentation will be available by close of business on the day.

The Interim Results contain forward-looking statements which have been made in good faith based on the information available to us at the time of the approval of this report and should be treated with caution due to the inherent risks and uncertainties, including both economic and business risk factors some of which were set out in the 2018 Annual Report, underlying such forward-looking information.

Unless otherwise stated, all figures below refer to the six months ended 31 December 2018 (“H1 2019”). Comparative figures are for the six months ended 31 December 2017 (“H1 2018”). Certain figures contained in this document, including financial information, have been subject to rounding adjustments. Accordingly, in certain instances the sum of the numbers in a column or a row in tables contained in this document may not conform exactly to the total figure given for that column or row.

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Chief Executive's Statement

External market and opportunity

Geopolitical developments abroad and at home have resulted in a year of significant uncertainty and volatility not only for financial markets but also for our clients. Through this period, Hargreaves Lansdown has continued to grow and has maintained its focus on client service and developing our proposition.

The market opportunity for Hargreaves Lansdown remains significant, extending across £1.0 trillion of addressable investment assets within the private wealth market and up to £2.4 trillion when cash savings are also included. People need to take charge of their money and manage it over a longer period and yet savings and investments are becoming more complicated. Clients therefore need help and want solutions more than ever before. They want to feel valued and supported by their chosen financial service providers, particularly during these uncertain times. Our relentless client focus, combined with our scale, knowledge and expertise uniquely positions us to provide the solutions required and capitalise on this opportunity.

With this opportunity, and in order to serve the needs of our clients, we continue to invest in our stated strategic agenda and in continuous improvements to our service in order to maintain our leading client and service proposition. Of course, we remain cognisant of balancing our levels of investment and strategic priorities at levels appropriate to the external environment and client activity levels but, for now, it is business as usual.

Growth and service

We believe it is critical that we continue to invest in opportunities for growth during difficult times if we are to capitalise on our significant long-term market opportunity. This ensures that we are as well placed as possible to take advantage of better market conditions and improved confidence levels as and when they arise, just as we saw following the Brexit referendum. We remain focused on investment to support higher levels of client activity, deepen our marketing skills, improve our technological development capacity and broaden our offering, all whilst maintaining compliance with regulatory change. Following a period of elevated cost growth to position us for this market opportunity, we are now moderating the rate of investment and remain watchful about the rate we put new costs into the business whilst market conditions remain challenging.

We have maintained a visible brand and marketing presence during this period and retained the headcount resources to deliver the levels of client service that we aspire to. We have also extended our opportunities for growth should these conditions persist for longer, for example through direct book transfers and the development of our cash marketplace proposition, Active Savings.

External market conditions have impacted investor confidence and driven industry-wide net outflows over this short reporting period. This includes our own UK measure of investor confidence, which is at its lowest point since the index was launched in 1995. The Investment Association has reported the worst period for industry net retail fund outflows ever over the three months to November 2018. For Hargreaves Lansdown, whilst these conditions meant that AUA fell 6% to £85.9 billion (30 June 2018: £91.6bn) due to negative market movements of £8.2 billion, we were pleased to welcome a further 45,000 net new clients, taking our total active clients to 1,136,000, and deliver net new business inflows of £2.5 billion. As discussed last year, we benefited from elevated transfer levels and new clients following service issues at a competitor platform in the comparative period of H1 2018.

This progress demonstrates that the investment we are making continues to pay off and we believe positions us well for when conditions improve. Whilst market share data is slow to emerge, we believe we have continued to maintain our leading position in our chosen areas. For example, it is pleasing to see that whilst dealing volumes for the industry across the period have been subdued, we have managed to increase our share of the execution only stockbroking market to 31.9% (source: Compeer Q3 Benchmarking Report).

We look to develop a lifelong relationship with all our clients, and hence retention and satisfaction are key measures for us. The client retention rate has remained very high at 93.5% during a period where client numbers, transactions and contacts have all increased. Investment into our Helpdesk and Operations teams through increased training, use of technology and better management techniques has helped to elevate client satisfaction levels. Improved call answering, email response rates and quicker completion of transfers are just some of the tangible benefits coming through. Consistent focus on such client service measures gives us greater insight into client expectations and service levels and helps determine where we invest and deploy resources.

Delivering value for clients

Our excellent client service needs to be matched with an outstanding client offering. Back in December 2017 we soft launched Active Savings, our cash management service. In the following months we developed the proposition further, adding more banks and improving the rates on offer. In September 2018, we increased the level of marketing and promotional activity, believing it to be strategically imperative to capture the scale advantage of being a first mover for the long-term benefit of our clients, the banks on the platform and our shareholders. We are therefore currently focused on growing AUA. Our chosen route for achieving this in the current low interest rate environment is via reducing our revenue margins to ensure the rates offered on Active Savings are highly competitive. This will attract the new clients and assets into the service that we need to capitalise on this opportunity. We are pleased with the growth we have seen in the last four months from a standing start as a consequence of this approach. At a time when investment products have not been favoured by consumers, having a leading cash savings solution is a great benefit to clients and diversifies our product offering. Rates on offer across the range of maturity terms are now consistently top quartile, with several products at the top of interest tables and, as at 31 December 2018, AUA had grown to £385m across over 13,000 client accounts.

Whilst Active Savings has been gaining traction we have been busy on the next stages of development. The ability to hold and manage cash through our platform and receive a competitive rate of interest, should prove very appealing during uncertain times for investors and we will look to add an easy access account shortly. We are also looking forward to welcoming new clients from Witan Investment Services following their announcement to withdraw from administering their retail Investment Trust Savings and ISA Schemes. The deal could involve the transfer of up to 16,000 retail clients, representing up to £420 million. This is the seventh such transaction we have undertaken and once again demonstrates our ability to provide the best solution for fund managers and the best value for their clients.

Putting clients first is at the heart of our culture and it is always pleasing when our proposition and service scores highly in independent research. In November, Platforum issued their UK D2C Investor Experience report which looks at the customer experience of investing in 2018 and how it has evolved over the past year. Hargreaves Lansdown scored top marks in all the online proposition categories, for its mobile proposition, and customer service. Only on pricing did we not score top marks, but we continue to offer an excellent value proposition for our clients with fund discounts and low costs to hold shares and investment trusts. In the coming months, we are also expecting the final outcome from the Financial Conduct Authority on their Investment Platform Market Study which we hope will help deliver overall benefits to the consumer.

A year ago we rebranded our content and platform to create a new, clean visual identity. This has enabled us to tailor our look, feel and tone of voice when we interact with groups of clients. Much work has been done in segmenting our clients so that we can increasingly personalise content and guidance in communications to them and this is now delivering improved conversion rates on marketing campaigns. New names to our marketing list in the period are higher than last year, driven by share related content through third party online channels. Given the environment, converting these leads is the next challenge but we won't hold back on marketing despite investor uncertainty. It is times like these that clients and potential new investors need clear and concise communications giving them the confidence to make the right investment decisions for their future benefit.

Many improvements to our service are born from listening to the needs of different groups of clients and analysing their activity. Our newly launched Wealth 50, a shortlist of our experts' favourite funds, is a prime example of this. We spoke to over 6,000 existing and potential clients, undertook 12 surveys, discussed with focus groups and conducted a number of one-on-one and user-experience sessions. Their insights guided us to replace the Wealth 150 with a simpler more focused list of funds across a range of sectors and its launch gave us the opportunity to renegotiate with the fund managers who made our shortlist. Many of the funds on the list are now available with even bigger discounts on their annual fund charges. All such discounts are to the sole benefit of clients, and not to Hargreaves Lansdown in any way. Since its launch, the Wealth 150 has outperformed its benchmark by 5.8% and sector by 11.8% and clients will now save an average of 30% on a Wealth 50 fund's annual ongoing charge because we have used our collective buying power to secure them a better outcome. We believe that the total cost of owning funds via Hargreaves Lansdown is now even more competitive, particularly when compared to traditional advice channels. Overall this creates a truly compelling value proposition when combined with the excellence of our investment research, breadth of our offering and service delivery.

Dividend

The Board believes the Group has sufficiently strong profitability, liquidity and capital positions to execute its strategy without financial constraints and to operate a sustainable and progressive ordinary dividend policy. We remain confident in our business model and the Board has declared a 2% rise in the interim dividend to 10.3 pence per share. The Board remains committed to paying special dividends when sufficient excess cash and capital exist after taking account of the Group's growth, investment and regulatory capital requirements at the time.

Outlook and Brexit

Brexit is on the horizon, and until certainty is reached, it will continue to impact markets and consumer confidence. Financial decision making becomes trickier and clients can become reluctant to invest more in volatile markets and prefer to sit on the side-lines. As we have done already, throughout the whole Brexit process, we will keep clients updated on our views, potential scenarios and impacts. We will also ensure that we have sufficient resources in place in order to help clients at the critical moments. For many clients, however, their investment goals are long-term and they remain willing to invest and look to us for guidance in such times. We will continue to deliver tailored content that will help empower them with the confidence to make appropriate investment decisions for their future.

The second half of our trading year is traditionally our stronger half for new business, including as it does the tax year-end, which acts as a natural incentive for clients to use tax allowances. Investor sentiment and stock market levels are usually key to the levels of new business but this year has the added complication of Brexit. Such uncertainty during our busiest time of year is clearly not helpful for predicting new flows and business volumes, but we will be prepared operationally to deal with any outcome. Our fundamental objective will be to ensure continuity of service and a seamless client experience throughout the Brexit process and, as ever, over the busy tax year-end.

Irrespective of this short term volatility in markets and the impact on consumer confidence, the long-term growth and structural opportunity in the UK savings market continues to excite us. We believe our platform and investments position us well to capture this growth and deliver long-term growth for our shareholders.

I would like to thank our clients for their continued support and recommendation and I would also like to recognise my colleagues for their hard work and commitment. All these improvements to our client service and proposition would not be possible without the immense contribution from our talented and diverse population of employees. We continue to focus on attracting, developing and retaining outstanding people, embedding our client driven culture, improving employee well-being and providing training programmes to ensure we have a strong talent pipeline of people who can deliver our future strategic goals, thereby underpinning our future growth.

Chris Hill
Chief Executive Officer

Financial Review

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

	Unaudited 3 months to 30 September 2018	Unaudited 3 months to 31 December 2018	**Unaudited 6 months ended 31 December 2018**
Opening AUA	91.6	94.1	**91.6**
Net New Business	1.3	1.2	**2.5**
Market growth & other	1.2	(9.4)	**(8.2)**
Closing AUA	94.1	85.9	**85.9**

The diversified nature of Hargreaves Lansdown, the breadth of our product offering and the provision of high quality services tailored to the needs of our clients has allowed us to deliver continued net new business inflows against a backdrop of ongoing uncertainty around Brexit, a significant decline in UK investor confidence and net retail outflows across the market as a whole.

Net new business for the first half totalled £2.5 billion. This was driven by increased client numbers and continued wealth consolidation onto our platform. In September we increased the level of marketing and promotional activity in the Active Savings service which brought in £281 million of net flows in the second quarter helping to offset the slowdown in the core Vantage proposition which has been increasingly impacted by falling investor confidence. Unlike last year we have not seen the benefit of elevated transfer levels and new clients following service issues at a competitor platform. We introduced 45,000 net new clients to our services in the six months to 31 December 2018 and grew our active client base by a further 4% to 1,136,000.

Total AUA decreased by 6% to £85.9 billion as at 31 December 2018 (£91.6 bn as at 30 June 2018). This was driven by £2.5 billion of net new business (H1 2018: £3.3bn) being offset by significant negative stock market movements impacting asset values.

Income Statement

	Unaudited 6 months ended 31 December 2018 £m	Unaudited 6 months ended 31 December 2017 £m	Audited Year to 30 June 2018 £m
Net revenue	**236.4**	216.0	447.5
Operating costs	**(85.1)**	(70.9)	(158.7)
Fair value gains on derivatives	**1.1**	1.1	2.3
Non-operating income	**1.2**	0.7	1.5
Finance costs	**(0.2)**	-	(0.2)
Profit before tax	**153.4**	146.9	292.4
Tax	**(29.3)**	(27.9)	(55.7)
Profit after tax	**124.1**	119.0	236.7

Net revenue

Total net revenue for the period was up 9% to £236.4 million (H1 2018: £216.0 million), driven by AUA that on average was up 9% and increased net interest on client money, following the base rate increase to 0.75% on 2 August 2018. Net revenue growth was slightly below the rate of AUA growth due to reduced margins on shares due to reduced activity levels during the period, as described more fully below.

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

	6 months ended 31 December 2018			6 months ended 31 December 2017			Year ended 30 June 2018		
	Net revenue £m	**Average AUA £bn**	**Net revenue margin bps**	Net revenue £m	Average AUA £bn	Net revenue margin bps	Net revenue £m	Average AUA £bn	Net revenue margin bps
Funds[1]	**103.2**	**50.1[7]**	**41**	97.8	47.4[7]	41	198.0	48.4[7]	41
Shares[2]	**42.1**	**30.8**	**27**	42.9	27.3	31	89.6	28.3	32
Cash[3]	**33.2**	**9.9**	**67**	18.2	8.4	43	42.1	8.8	48
HL Funds[4]	**34.7**	**9.3[7]**	**74**	33.3	9.0[7]	74	67.2	9.1[7]	74
Other[5]	**23.2**	**0.2[6]**	**-**	23.8	-	-	50.6	-	-
Double-count[7]	**-**	**(9.3)[7]**	**-**	-	(9.0)[7]	-	-	(9.1)[7]	-
Total	**236.4**	**91.0[7]**	**-**	216.0	83.1[7]	-	447.5	85.5[7]	-

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

Net revenue on Funds increased by 6% to £103.2m (H1 2018: £97.8m) due to AUA growth from net new business. Funds remain our largest client asset class at 55% of average AUA (H1 2018: 57%), and the net revenue margin earned on these in the period was in line with our expectations at 41bps (H1 2018: 41bps). Net revenue margins on Funds have been broadly stable following the completion of the Retail Distribution Review and we continue to expect them to remain at similar levels over the remainder of the financial year.

Net revenue on Shares decreased by 2% to £42.1m (H1 2018: £42.9m) and the net revenue margin of 27bps (H1 2018: 31bps) was at the low end of our expected range of 27bps to 33bps. The decrease in margin was primarily due to a slight fall in dealing volumes compared to last year whilst the average AUA has increased 13%. We believe this is primarily due to the impact of lower investor confidence and falling markets on the propensity to deal for many clients. Shares account for 34% of the average AUA (H1 2018: 33%) and while we continue to see investor confidence impacting dealing volumes we would expect the margin on Shares to be at the lower end of the previous guidance range of 27-33bps for the full year depending on actual dealing volume levels.

Net revenue on Cash increased by 82% to £33.2m (H1 2018: £18.2m) as increased AUA levels were combined with an increase in the net interest margin to 67bps (H1 2018 43bps). This was in line with our communicated expectations at the start of the year that margins would be within a 60bps to 70bps range for the period following the Bank of England base rate increase from 0.50% to 0.75% in August 2018. The financial impact of this rate increase is spread given that the majority of clients' SIPP money is placed on rolling 13 month term deposits, meaning the full impact takes just over a year to flow through. Cash accounts for 11% of average AUA (H1 2018: 10%) and, assuming there are no further rate changes, we anticipate the net interest margin on Cash for the 2019 financial year will continue to be in the range of 60bps to 70bps.

HL Funds consist of ten Multi-Manager funds, on which the management fee is 75bps per annum, and two Select equity funds, on which the management fee is 60bps. Net revenue from HL Funds has grown by 4% this year to £34.7m (H1 2018: £33.3m) as the average AUA has been 3% higher. These fees are collected on a daily basis whereas the Group calculates average AUM on a month end basis, resulting in a headline margin for the period of 74bps (H1 2018: 74bps). Please note that the platform fees on these assets are included in the Funds line and hence total average AUA of £91.0 billion (H1 2018: £83.1bn) excludes HL Funds AUM to avoid double-counting.

Assets held within Active Savings on the platform and the related revenue are not yet broken out into a separate category in the table above. In September 2018, we increased the level of marketing and promotional activity for Active Savings, believing it is strategically imperative to capture the scale advantage of being a first mover. Consequently our focus is on growing AUA at present. Our chosen route for achieving this in the current low interest rate environment is via reducing our revenue margins to ensure the rates offered on Active Savings are highly competitive. This will attract the new clients and assets into the service that we need to capitalise on the opportunity. As at 31 December 2018 the AUA was £385 million. The associated revenue is not material but is included within the category of "Other" such that the total net revenue reconciles back to the income statement. Once Active Savings grows to a material level in terms of revenue we shall break it out separately in the table above.

Other revenues are made up of advisory fees, our FundsLibrary data services, Active Savings and ancillary services such as annuity broking, distribution of VCTs and the Hargreaves Lansdown Currency and Market Services. These revenues are primarily transactional and not impacted by market growth and declined by 3%.

	Unaudited 6 months ended 31 December 2018 £m	Unaudited 6 months ended 31 December 2017 £m	Audited Year to 30 June 2018 £m
Net recurring revenue	**190.3**	167.7	344.9
Transactional revenue	**41.8**	44.3	94.0
Other revenue	**4.3**	4.0	8.6
Total net revenue	**236.4**	216.0	447.5

The Group's revenues are largely recurring in nature, as shown in the table above, with the proportion of net recurring revenues increasing slightly to 80% in the period (H1 2018: 78%). Net recurring revenue is primarily comprised of platform fees, Hargreaves Lansdown fund management fees, interest on client money, equity holding charges and advisory fees. This grew by 13% to £190.3 million (H1 2018: £167.7 million) due to increased average AUA from continued net new business and higher UK base rates. Recurring revenues provide greater profit resilience and hence we believe they are of higher quality than non-recurring revenues.

Transactional revenue is primarily made up of stockbroking commission and advisory event-driven fees. This declined by 6% to £41.8 million (H1 2018: £44.3 million) with lower equity dealing volumes being the key driver.

Other revenue is derived from the provision of funds data services and research to external parties through FundsLibrary. This was up 8% from £4.0 million to £4.3 million driven by new Solvency II and MiFID II services.

Operating costs

	Unaudited 6 months ended 31 December 2018 £m	Unaudited 6 months ended 31 December 2017 £m	Audited Year ended 30 June 2018 £m
Staff costs	**49.5**	41.8	87.4
Marketing and distribution costs	**6.0**	6.9	16.3
Depreciation, amortisation & financial costs	**5.8**	4.4	10.3
Other costs	**23.5**	18.1	41.2
	84.8	71.2	155.2
Total FSCS levy	**0.3**	(0.3)	3.5
Total operating costs	**85.1**	70.9	158.7

As highlighted previously, we have consciously and significantly increased our investment in people, digital marketing and technology in the past two years as we believe the Group's focus on client service is core to our success as a business and necessary to position us to capture the structural growth opportunity in the UK savings and investments market. This has been validated by net new business flows, net new clients, increased market shares, high client retention rates and continued development of our product set and growth capabilities during this time.

During the first half of 2019, excluding the FSCS levy, operating costs increased by 19% to £84.8 million versus £71.2 million in the comparable H1 2018 period. Compared to the more recent run rate of the six months to 30 June 2018, however, operating costs, excluding the FSCS levy, increased just 1% from £84.0m.

Staff costs rose by 18% to £49.5 million (H1 2018: £41.8 million). Average staff numbers increased by 17% from 1,310 in H1 18 to 1,534 in H1 19 with the key increases being in Technology, on the Helpdesk and in Operations, in line with higher client activity levels and the expansion of our capabilities. Hargreaves Lansdown is a growing business and higher client numbers and associated activity levels will continue to require investment in our servicing functions as we look forward. Technology and efficiency programmes improve our scalability, thereby allowing us to invest productivity gains into extending our proposition and our platform functionality. We believe this reinvestment cycle underpins our future growth.

Marketing and distribution costs decreased by 13% to £6.0 million (H1 2018: £6.9 million). Although we continued to invest in our digital marketing presence and targeted marketing campaigns for Active Savings, our Retirement Services and transfer mailing cash back incentives, a change in the accounting for the latter has led to a reduction in the overall charge. In line with IFRS 15 (Revenue from Contracts with Customers), cash incentives given to clients are now considered to be a reduction in revenue, whereas previously these incentives were considered a marketing cost. As a result £1.3 million of cash incentive payments are no longer charged as a cost and instead are being offset against revenue and spread over a 12 month period, that being the minimum period for which clients must remain on the platform following a cash incentive payment. These costs will be deducted from other income to maintain consistency with assets and margin disclosure data. In the period to 31 December 2018 £0.3 million has been deducted from other income.

Use of mobile and digital media remains a key strategic focus of how we engage with existing and potential new clients. A year ago we rebranded our content and platform to create a new, clean visual identity, which has enabled us to tailor our look, feel and tone of voice when interacting with groups of clients. Combining this with our deeper understanding of our client segmentation has enabled us to improve the effectiveness of our marketing spend as more tailored content is now delivering better conversion rates on marketing campaigns. More focused digital marketing is also helping to grow our marketing list but converting them to clients in the current environment is a challenge. We will continue to invest in marketing despite investor uncertainty as communication at times like these is valued by existing clients and will put us at the forefront of the minds of potential new clients.

Depreciation, amortisation and financial costs increased by £1.4 million as a result of higher capital spend in recent years, primarily on our core in-house IT systems, hardware and software for increased employee numbers and the Active Savings platform.

Total capitalised expenditure in the period was £6.5 million (H1 2018: £6.0 million). This expenditure was primarily for cyclical replacement of IT hardware, the continued project to enhance the capacity and capability of our key administration systems and the ongoing development of Active Savings.

Other costs rose by £5.4 million to £23.5 million (H1 2018: £18.1 million). The key drivers of this were additional dealing costs resulting from an increased proportion of overseas share deals following the price reduction of this service in May 2018, increased computer maintenance and office costs driven by higher employee numbers, legal and professional costs and irrecoverable VAT on non-staff expenses.

The Financial Services Compensation Scheme (FSCS) levy is typically charged in the second half of the year so ordinarily there is no charge in the first half, however, in November 2018 an interim levy of £0.3 million was charged by the FSCS. In the prior year we had over accrued for the levy which gave rise to a credit of £0.3 million. The FSCS is the compensation fund of last resort for customers of authorised financial services firms. All authorised firms are required to contribute to the running of the scheme and the levy reflects the cost of compensation payments paid by the industry in proportion to the amount of each participant's relevant eligible income. As usual, the second half of the year will be impacted by the FSCS levy, which for last year resulted in a final net charge of £3.5 million.

Profit before tax

Hargreaves Lansdown's success is built around the service we provide to our clients. This drives net new business and new clients, which are the key growth drivers of revenue and profits that we can influence. This has allowed us consciously to increase headcount to ensure we deliver the expected high service standards, while dealing with record volumes of business and investing in further growth opportunities. This investment is key to driving future growth and ensuring we have a scalable operating platform which we believe will be to the benefit of both clients and shareholders across the market cycle. As a result, the Group has grown profit before tax by 4% to £153.4 million (H1 2018: £146.9 million) and maintained its operating margins at an industry leading level of 64% (H1 2018: 68%), consistent with the full year 2018 outcome of 65%.

Tax

The effective tax rate for the period was 19.1% (H1 2018: 19.0%), in line with the standard rate of UK corporation tax. The Group's tax strategy is published on our website at http://www.hl.co.uk

Earnings per share

	Unaudited 6 months ended 31 December 2018 £m	Unaudited 6 months ended 31 December 2017 £m	Audited Year to 30 June 2018 £m
Operating profit	**152.4**	146.2	291.1
Finance income	**1.2**	0.7	1.5
Finance costs	**(0.2)**	-	(0.2)
Other gains	**-**	-	-
Profit before tax	**153.4**	146.9	292.4
Tax	**(29.3)**	(27.9)	(55.7)
Profit after tax	**124.1**	119.0	236.7
Weighted average number of shares for the calculation of diluted EPS	**475.8**	475.2	475.4
Diluted EPS (pence per share)	**26.1**	25.0	49.6

Diluted EPS increased by 4% from 25.0 pence to 26.1 pence, reflecting the Group's positive trading performance. The Group's basic EPS was also 26.1 pence, compared with 25.0 pence in H1 2018.

Capital and liquidity management

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

The Group seeks to maintain a strong net cash position and a robust balance sheet with sufficient capital and liquidity to fund ongoing trading and future growth, in line with our strategy of offering a lifelong, secure home for people's savings and investments. The Group has a high conversion rate of operating profits to cash and its net cash position at 31 December 2018 was £321.8 million (H1 2018: £275.1 million) as cash generated through trading offset the payments of the 2018 final and special dividends. This includes cash on longer-term deposit and is before funding the 2019 interim dividend of £48.8 million.

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

Total attributable shareholders' equity, as at 31 December 2018, made up of share capital, share premium, retained earnings and other reserves increased to £385.5 million (H1 2018: £333.1 million) as continued profitability more than offset dividend payments. Included within shareholders' equity are distributable reserves of £384.3 million

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

Dividend

Hargreaves Lansdown has a progressive ordinary dividend policy. The Board considers the dividend on a total basis, with the intention of maintaining the ordinary payout ratio at around 65% across the market cycle and looking to return excess cash to shareholders in the form of a special dividend after the year-end. Any such return will be determined according to market conditions and after taking account of the Group's growth, investment and regulatory capital requirements at the time. The Board is confident that Hargreaves Lansdown has sufficiently strong financial, liquidity and capital positions to execute its strategy without constraints and can operate a sustainable and progressive ordinary dividend policy going forward.

Given the Group's dividend policy, the Board has declared an increased interim dividend of 10.3 pence per share (H1 2018: 10.1p). The interim dividend will be paid on 11 March 2019 to all shareholders on the register at 15 February 2019.

Responsibility Statement

Directors Responsibility Statement

The Directors confirm that this consolidated interim financial information has been prepared in accordance with IAS 34 as adopted by the European Union and that the interim report includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R, namely:

- an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of consolidated financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related-party transactions in the first six months and any material changes in the related party transactions described in the last Annual Report.

The Directors of Hargreaves Lansdown plc are listed on page 25 of the Interim Report and Condensed Consolidated Financial Statements 6 months ended 31 December 2018.

By order of the Board:

Philip Johnson
Chief Financial Officer
28 January 2019

Independent review report to Hargreaves Lansdown plc

Report on the Condensed Financial Statements for the six months ended 31 December 2018

Our conclusion

We have reviewed Hargreaves Lansdown plc's condensed financial statements (comprising Sections 1-5) for the six months ended 31 December 2018 (the "condensed financial statements") in the "Interim Report and Condensed Financial Statements" for the six months ended 31 December 2018 of Hargreaves Lansdown plc. Based on our review, nothing has come to our attention that causes us to believe that the condensed financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The interim financial statements comprise:

- the Condensed Consolidated Statement of Financial Position as at 31 December 2018;
- the Condensed Consolidated Statement of Comprehensive Income for the period then ended;
- the Condensed Consolidated Statement of Cash Flows for the period then ended;
- the Condensed Consolidated Statement of Changes in Equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The condensed financial statements included in the "Interim Report and Condensed Financial Statements" for the six months ended 31 December 2018 have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

As disclosed in note 5.1 to the condensed financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Responsibilities for the condensed financial statements and the review

Our responsibilities and those of the directors

The condensed financial statements for the six months ended 31 December 2018 are the responsibility of, and have been approved by, the directors. The directors are responsible for preparing the condensed financial statements for the six months ended 31 December 2018 in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the condensed financial statements in the "Interim Report and Condensed Financial Statements" for the six months ended 31 December 2018 based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, 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.

What a review of condensed financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the "Interim Report and Condensed Financial Statements" for the six months ended 31 December 2018 and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants
London
28 January 2019

Section 1: Results for the period

Condensed Consolidated Statement of Comprehensive Income

for the period ended 31 December 2018

	Note	Unaudited 6 months ended 31 December 2018 £m	Unaudited 6 months ended 31 December 2017 £m	Audited Year to 30 June 2018 £m
Revenue	1.1	236.5	216.1	447.6
Commission payable		(0.1)	(0.1)	(0.1)
Net revenue		236.4	216.0	447.5
Fair value gains on derivatives		1.1	1.1	2.3
Operating costs	1.3	(85.1)	(70.9)	(158.7)
Operating profit		152.4	146.2	291.1
Finance income	1.4	1.2	0.7	1.5
Finance costs		(0.2)	-	(0.2)
Profit before tax		153.4	146.9	292.4
Tax	1.5	(29.3)	(27.9)	(55.7)
Profit for the period		124.1	119.0	236.7
Attributable to:				
Owners of the parent		124.0	118.8	236.3
Non-controlling interest		0.1	0.2	0.4
		124.1	119.0	236.7
Earnings per share (pence)	1.6			
Basic earnings per share		26.1	25.0	49.7
Diluted earnings per share		26.1	25.0	49.6

The results relate entirely to continuing operations.

After the balance sheet date, the Directors declared an ordinary interim dividend of 10.3 pence per share payable on 11 March 2019 to shareholders on the register at 15 February 2019.

	Unaudited 6 months ended 31 December 2018 £m	Unaudited 6 months ended 31 December 2017 £m	Audited Year to 30 June 2018 £m
Profit for the period	124.1	**119.0**	**236.7**
Total comprehensive income for the financial period	124.1	**119.0**	**236.7**
Attributable to:			
Owners of the parent	124.0	118.8	236.3
Non-controlling interest	0.1	0.2	0.4
	124.1	119.0	236.7

Section 1: Results for the period
Notes to the Condensed Consolidated Statement of Comprehensive Income
for the period ended 31 December 2018

1.1 Net Revenue

Net revenue represents fees receivable from financial services provided to clients, net interest income on client money and management fees charged to clients. It relates to services provided in the UK and is stated net of value added tax. Commission payable is received gross against recurring revenue received from clients in relation to legacy fund holdings and is passed, in its entirety, to clients. An analysis of the Group's revenue is as follows:

	Unaudited 6 months ended 31 December 2018	Unaudited 6 months ended 31 December 2017	Audited Year to 30 June 2018
Revenue	**£m**	**£m**	**£m**
Recurring revenue	190.4	167.8	345.0
Transactional revenue	41.8	44.3	94.0
Other revenue	4.3	4.0	8.6
Total revenue	236.5	216.1	447.6
Commission payable	(0.1)	(0.1)	(0.1)
Net revenue	236.4	216.0	447.5

1.2 Segment information

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

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

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

1.3 Operating costs

	Unaudited 6 months ended 31 December 2018	Unaudited 6 months ended 31 December 2017	Audited Year to 30 June 2018
Operating costs	**£m**	**£m**	**£m**
Depreciation	2.5	2.1	4.4
Amortisation	2.3	1.4	3.4
Marketing and distribution costs	6.0	6.9	16.3
Operating lease rentals payable – property	1.8	1.4	2.9
Other costs	23.0	17.3	44.3
Staff costs	49.5	41.8	87.4
Operating costs	85.1	70.9	158.7

Section 1: Results for the period
Notes to the Condensed Consolidated Statement of Comprehensive Income
for the period ended 31 December 2018

1.4 Finance income

	Unaudited 6 months ended 31 December 2018	Unaudited 6 months ended 31 December 2017	Audited Year to 30 June 2018
	£m	£m	£m
Interest on bank deposits	1.2	0.7	1.5
	1.2	0.7	1.5

1.5 Tax

	Unaudited 6 months ended 31 December 2018	Unaudited 6 months ended 31 December 2017	Audited Year to 30 June 2018
	£m	£m	£m

The tax charge for the period is based on the prevailing standard rate of tax for the year to 30 June 2019 of 19.00% (30 June 2018: 19.00%).

Current tax - on profits for the period	29.1	26.9	56.0
Current tax - adjustments in respect of prior years	-	-	0.2
Deferred tax	0.2	1.0	(0.4)
Deferred tax - adjustments in respect of prior years	-	-	(0.1)
	29.3	27.9	55.7

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

	Unaudited 6 months ended 31 December 2018	Unaudited 6 months ended 31 December 2017	Audited Year to 30 June 2018
	£m	£m	£m
Deferred tax relating to share-based payments	0.6	(1.5)	(1.6)
Current tax relating to share-based payments	(0.3)	(0.8)	(1.1)
	0.3	(2.3)	(2.7)

Section 1: Results for the period
Notes to the Condensed Consolidated Statement of Comprehensive Income
for the period ended 31 December 2018

1.6 Earnings per share (EPS)

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in free issue during the period, including ordinary shares held in the EBT reserve which have vested unconditionally with employees.

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

The weighted average number of anti-dilutive share options and awards excluded from the calculation of diluted earnings per share was nil as at 31 December 2018 (153,168 at 31 December 2017 and nil at 30 June 2018).

	Unaudited 6 months ended 31 December 2018	Unaudited 6 months ended 31 December 2017	Audited Year to 30 June 2018
Earnings (all from continuing operations)	**£m**	**£m**	**£m**
Earnings for the purposes of basic and diluted EPS being net profit attributable to equity holders of the parent Company	124.0	118.8	236.3
Number of shares	**Number**	**Number**	**Number**
Weighted average number of ordinary shares	474,318,625	474,318,625	474,318,625
Weighted average number of shares held by HL EBT	(145,347)	(381,494)	(328,053)
Weighted average number of share options held by HL EBT which have vested unconditionally with employees	289,018	611,223	439,127
Weighted average number of shares for the purposes of basic EPS	474,462,296	474,548,354	474,429,699
Weighted average number of dilutive share options held by HL EBT that have not vested unconditionally with employees	1,327,508	668,003	984,793
Weighted average number of shares for the purpose of diluted EPS	475,789,804	475,216,357	475,414,492
Earnings per share	**Pence**	**Pence**	**Pence**
Basic EPS	26.1	25.0	49.7
Diluted EPS	26.1	25.0	49.6

Section 2: Assets & Liabilities
Condensed Consolidated Statement of Financial Position
for the period ended 31 December 2018

	Note	Unaudited at 31 December 2018 £m	Unaudited at 31 December 2017 £m	Audited at 30 June 2018 £m
ASSETS:				
Non-current assets				
Goodwill		1.3	1.3	1.3
Other intangible assets		18.2	13.9	18.1
Property, plant and equipment		15.4	12.1	13.8
Deferred tax assets		3.3	2.6	4.1
		38.2	29.9	37.3
Current assets				
Trade and other receivables	2.3	626.0	573.0	627.2
Cash and cash equivalents	2.4	112.5	104.2	125.3
Investments	2.2	0.4	0.9	1.5
Derivative financial instruments		0.2	0.2	0.2
Current tax assets		0.8	-	-
		739.9	678.3	754.2
Total assets		778.1	708.2	791.5
LIABILITIES:				
Current liabilities				
Trade and other payables		363.0	354.5	364.7
Derivative financial instruments		0.1	0.1	0.1
Current tax liabilities		28.5	19.9	20.8
		391.6	374.5	385.6
Net current assets		348.3	303.8	368.6
Non-current liabilities				
Provisions		1.0	0.6	0.7
Total liabilities		392.6	375.1	386.3
Net assets		385.5	333.1	405.2
EQUITY:				
Share capital	3.1	1.9	1.9	1.9
Shares held by Employee Benefit Trust reserve		(4.6)	(5.5)	(3.5)
EBT reserve		5.6	7.3	6.2
Retained earnings		381.3	328.4	399.4
Total equity, attributable to the owners of the parent		384.2	332.1	404.0
Non-controlling interest		1.3	1.0	1.2
Total equity		385.5	333.1	405.2

Notes to the Condensed Consolidated Statement of Financial Position

for the period ended 31 December 2018

2.1 Changes in capital expenditure since the last annual balance sheet date

Capital expenditure

During the six months ended 31 December 2018, the Group acquired fixtures, fittings, plant, equipment and software assets and internally generated intangibles with a cost of £6.5 million (H1 2018: £6.0 million, year to 30 June 2018: £16.1 million).

2.2 Investments

	Unaudited at 31 December 2018	Unaudited at 31 December 2017	Audited at 30 June 2018
	£m	£m	£m
At beginning of period	1.5	4.1	4.1
Sales	(1.1)	(3.2)	(2.6)
Purchases	-	-	-
At end of period	0.4	0.9	1.5
Comprising:			
Current asset investment - UK listed securities valued at quoted market price	0.4	0.9	1.5

£0.4 million (31 December 2017: £0.9 million, 30 June 2018: £1.5 million) of investments are classified as held at fair value through profit and loss. There have been no reclassifications of equity instruments upon adoption of IFRS 9.

2.3 Trade and other receivables

	Unaudited at 31 December 2018	Unaudited at 31 December 2017	Audited at 30 June 2018
	£m	£m	£m
Financial assets:			
Trade receivables	355.2	343.5	348.5
Term deposits	210.0	175.0	222.0
Other receivables	4.9	3.5	4.2
	570.1	522.0	574.7
Non-financial assets:			
Accrued income	50.5	45.9	45.8
Prepayments	5.4	5.1	6.7
	626.0	573.0	627.2

Trade and other receivables are measured at initial recognition at amortised cost in accordance with IFRS 9. Assessment has been made of the expected credit loss in relation to debtors, as required under IFRS 9, this measure requires assessment of the past default experience for debtors, grouped by type and with reference to available information both historic and forward-looking. The application of IFRS 9 in the period has been detailed further in Note 5.1.

In accordance with market practice, certain balances with clients, Stock Exchange member firms and other counterparties totalling £331.3 million (31 December 2017: £326.2 million, 30 June 2018: £327.1 million) are included in trade receivables. These balances are presented net where there is a legal right of offset and the ability and intention to settle net. The gross amount of trade receivables is £416.6 million and the gross amount of offset in the balance sheet with trade payables is £60.1 million. Other than counterparty balances trade receivables primarily consist of fees and amounts owed by clients. There are no balances where there is a legal right of offset but not a right of offset in accordance with accounting standards, and no collateral has been posted for the balances that have been offset.

Notes to the Condensed Consolidated Statement of Financial Position

for the period ended 31 December 2018

2.4 Cash and cash equivalents

	Unaudited at 31 December 2018	Unaudited at 31 December 2017	Audited at 30 June 2018
	£m	£m	£m
Restricted cash - balances held by Hargreaves Lansdown EBT	0.7	4.2	3.8
Group cash and cash equivalent balances	111.8	100.0	121.5
	112.5	104.2	125.3

Cash and cash equivalents comprise cash on hand and demand deposits held by the Group that are readily convertible to a known amount of cash. The carrying amount of these assets is approximately equal to their fair value.

At 31 December 2018 segregated deposit amounts held by the Group on behalf of clients in accordance with the client money rules of the Financial Conduct Authority amounted to £10,426 million (31 December 2017: £8,719 million, 30 June 2018 £9,645 million). In addition there were cash balances held on behalf of clients not governed by the client money rules of £364.7 million (31 December 2017: £14.1 million, 30 June 2018: £22.5 million). The client retains the beneficial interest in both these deposits and cash accounts and accordingly they are not included in the balance sheet of the Group.

2.5 Trade and other payables

	Unaudited at 31 December 2018	Unaudited at 31 December 2017	Audited at 30 June 2018
	£m	£m	£m
Financial liabilities:			
Trade payables	327.8	322.5	327.4
Social security and other taxes	4.4	4.8	8.7
Other payables	17.9	18.6	14.1
	350.1	345.9	350.2
Non-financial liabilities:			
Accruals	12.5	8.1	13.6
Deferred income	0.4	0.5	0.9
	363.0	354.5	364.7

In accordance with market practice, certain balances with clients, Stock Exchange member firms and other counterparties totalling £327.1 million (31 December 2017: £322.9 million, 30 June 2018: £324.6 million) are included in trade payables. As stated in note 2.3, where we have a legal right of offset and the ability and intention to settle net, trade payable balances have been presented net.

Other payables principally comprise amounts owed to clients as a loyalty bonus and to staff as a bonus. Accruals and deferred income principally comprise amounts outstanding for trade purchases and revenue received but not yet earned on group pension schemes where an ongoing service is still being provided.

Section 3: Equity
Condensed Consolidated Statement of Changes in Equity
for the period ended 31 December 2018

	Share capital	Shares held by EBT reserve	EBT reserve	Retained earnings	**Total**	Non-controlling interest	**Total equity**
	£m	£m	£m	£m	**£m**	£m	**£m**
At 1 July 2017	1.9	(7.0)	7.9	304.1	**306.9**	0.8	**307.7**
Total comprehensive income	-	-	-	118.8	**118.8**	0.2	**119.0**
Employee Benefit Trust:							
Shares sold during the period	-	8.3	-	-	**8.3**	-	**8.3**
Shares acquired in the period	-	(6.8)	-	-	**(6.8)**	-	**(6.8)**
EBT share sale	-	-	(2.7)	-	**(2.7)**	-	**(2.7)**
Reserve transfer on exercise of share options	-	-	2.1	(2.1)	**-**	-	**-**
Employee share option scheme:							
Share-based payments expense	-	-	-	1.9	**1.9**	-	**1.9**
Current tax effect of share-based payments	-	-	-	0.8	**0.8**	-	**0.8**
Deferred tax effect of share-based payments	-	-	-	1.5	**1.5**	-	**1.5**
Dividend paid (note 3.2)	-	-	-	(96.6)	**(96.6)**	-	**(96.6)**
At 31 December 2017	1.9	(5.5)	7.3	328.4	**332.1**	1.0	**333.1**
At 1 July 2018	1.9	(3.5)	6.2	399.4	**404.0**	1.2	**405.2**
Total comprehensive income	-	-	-	124.0	**124.0**	0.1	**124.1**
Employee Benefit Trust:							
Shares sold during the period	-	5.0	-	-	**5.0**	-	**5.0**
Shares acquired in the period	-	(6.1)	-	-	**(6.1)**	-	**(6.1)**
EBT share sale	-	-	(2.7)	-	**(2.7)**	-	**(2.7)**
Reserve transfer on exercise of share options	-	-	2.1	(2.1)	**-**	-	**-**
Employee share option scheme:							
Share-based payments expense	-	-	-	2.0	**2.0**	-	**2.0**
Current tax effect of share-based payments	-	-	-	0.3	**0.3**	-	**0.3**
Deferred tax effect of share-based payments	-	-	-	(0.6)	**(0.6)**	-	**(0.6)**
Dividend paid (note 3.2)	-	-	-	(141.7)	**(141.7)**	-	**(141.7)**
At 31 December 2018	1.9	(4.6)	5.6	381.3	**384.2**	1.3	**385.5**

The share premium account represents the difference between the issue price and the nominal value of shares issued.

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

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

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

Section 3: Equity
Notes to the Condensed Consolidated Statement of Changes in Equity
for the period ended 31 December 2018

3.1 Share capital

	Unaudited at 31 December 2018	Unaudited at 31 December 2017	Audited at 30 June 2018
	£m	£m	£m
Issued and fully paid:			
Ordinary shares of 0.4p	1.9	1.9	1.9
	Shares	Shares	Shares
Issued and fully paid:			
Number of ordinary shares of 0.4p	474,318,625	474,318,625	474,318,625

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

3.2 Dividends paid

	Unaudited at 31 December 2018	Unaudited at 31 December 2017	Audited at 30 June 2018
	£m	£m	£m
Amounts recognised as distributions to equity holders in the period:			
2018 Final dividend of 22.1p per share (2017 – 20.4p)	104.7	96.6	96.7
2018 Special Dividend of 7.8p per share (2017 – nil)	37.0	-	-
2018 First interim dividend of 10.1p per share	-	-	47.8
Total	141.7	96.6	144.5

The Hargreaves Lansdown Employee Benefit Trust, which held the following number of ordinary shares in Hargreaves Lansdown plc at the date shown, has agreed to waive all dividends.

	Unaudited at 31 December 2018	Unaudited at 31 December 2017	Audited at 30 June 2018
Number of shares held by the Hargreaves Lansdown Employee Benefit Trust	428,335	551,958	413,604
Representing % of called-up share capital	0.09%	0.12%	0.09%

Section 4
Condensed Consolidated Statement of Cash Flows
as at 31 December 2018

	Note	Unaudited at 31 December 2018	Unaudited at 31 December 2017	Audited at 30 June 2018
		£m	£m	£m
Net cash from operating activities				
Profit for the period after tax		124.1	119.0	236.7
Adjustments for:				
Income tax expense		29.3	27.9	55.7
Depreciation of plant and equipment		2.5	2.1	4.4
Amortisation of intangible assets		2.3	1.4	3.4
Share-based payment expense		2.0	1.9	3.6
Increase in provisions		0.3	-	0.1
Operating cash flows before movements in working capital		160.5	152.3	303.9
(Increase)/decrease in receivables		(10.8)	50.9	43.7
(Decrease)/increase in payables		(1.7)	(57.0)	(46.9)
Cash generated from operations		148.0	146.2	300.7
Income tax paid		(21.8)	(27.8)	(55.9)
Net cash generated from operating activities		126.2	118.4	244.8
Investing activities				
Decrease/(increase) in term deposits		12.0	5.0	(42.0)
Proceeds on disposal of investments		1.1	3.2	2.6
Purchase of property, plant and equipment		(4.1)	(2.6)	(6.5)
Purchase of intangible assets		(2.4)	(3.4)	(9.6)
Net cash from / (used in) investing activities		6.6	2.2	(55.5)
Financing activities				
Purchase of own shares in EBT		(6.1)	(6.8)	(8.6)
Proceeds on sale of own shares in EBT		2.2	5.6	7.7
Dividends paid to owners of the parent		(141.7)	(96.6)	(144.5)
Dividends paid to non-controlling interests		-	-	-
Net cash used in financing activities		(145.6)	(97.8)	(145.4)
Net (decrease) in cash and cash equivalents		(12.8)	22.8	43.9
Cash and cash equivalents at beginning of period		125.3	81.4	81.4
Cash and cash equivalents at end of period	2.4	112.5	104.2	125.3

Section 5
Other Notes
as at 31 December 2018

5.1 Basis of preparation

The consolidated Interim Financial Statements of Hargreaves Lansdown plc for the six months to 31 December 2018 have been prepared using accounting policies in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and in accordance with the International Accounting Standard (IAS) 34 Interim Financial Reporting and the Disclosure Rules and Transparency Rules of the United Kingdom's Financial Conduct Authority. The Interim Financial Statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments, and are presented in pounds sterling which is the currency of the primary economic environment in which the Group operates.

The financial information contained in these Interim Financial Statements does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. However, the information has been reviewed by the company's auditor, PricewaterhouseCoopers LLP, and their report appears earlier in this document. The financial information for the year ended 30 June 2018 has been derived from the audited financial statements of Hargreaves Lansdown plc for that year, which have been reported on by PricewaterhouseCoopers LLP and delivered to the Registrar of Companies. Copies are available on-line at www.hl.co.uk. The auditor's report on those accounts was not qualified, did not include a reference to any matters to which the auditor drew attention by the way of emphasis without qualifying the report and did not contain statements under section 498 (2) or (3) of the Companies Act 2006.

Going concern

Throughout the period, the Group was debt free, has continued to generate significant cash and has considerable financial resources enabling it to meet its day-to-day working capital requirements.

The Directors have considered the resilience of the Group, taking account of its current financial position, the principal risks facing the business in severe but reasonable scenarios and the effectiveness of any mitigating actions. As a consequence, the Directors believe that the Group is well placed to manage its business risks in the context of the current economic outlook and have adequate financial resources to continue in operational existence for a period of at least 12 months from the date of approval of these interim financial statements. They therefore continue to adopt the going concern basis in preparing the consolidated interim financial statements.

Changes in accounting policy

In the period the Group has adopted two new accounting standards. IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers became applicable for financial years commencing on or after 1 January 2018 and as a result were adopted for the financial year 2019, from 1 July 2018. Neither standard has had a material impact on the financial statements of the Group for the period ended 31 December 2018.

IFRS 9 has led to changes in the way measurement and recognition takes place for financial instruments. Management have undertaken an assessment of the classification of financial instruments, using an assessment of the contractual cash flows and the Group's business model for managing the financial instruments, as required by IFRS 9 and as highlighted by the below table:

Financial Instrument	IAS 39 Classification	IFRS 9 Classification
Trade and other receivables	Loans & receivables	Amortised cost
Equity investments	Fair value through profit and loss	Fair value through profit and loss
Cash & cash equivalents	Fair value through profit and loss	Amortised cost
Derivative financial instruments	Fair value through profit and loss	Fair value through profit and loss
Trade and other payables	Amortised cost	Amortised cost

The Group classifies its financial assets as at amortised cost only if both of the following criteria are met:

- The asset is held within a business model whose objective is to collect the contractual cash flows; and
- The contractual terms give rise to cash flows that are solely payments of principal and interest.

The Group has no financial instruments for which these changes lead to an adjustment in recognition or carrying amount. As a result the impact of IFRS 9 classification changes are presentational in nature. IFRS 9 also introduced a new expected loss model for impairment that requires the Group to account for expected losses and changes in those expected losses at each reporting date to reflect the change in credit risk since initial adoption. The expected credit loss model has been applied and consideration given to both historic information in relation to default and all forward-looking information that may lead to an increase in the expected loss incurred. Receivables are stated net of impairment.

The implementation of IFRS 15 was conducted taking the modified approach. Upon initial application of the standard we have taken the practical expedient afforded to us under IFRS 15:20 to not restate any matters in relation to completed contracts or contracts that had been modified prior to the date of initial application.

5.1 Basis of preparation (continued)

One area of impact from the implementation of these new standards is in relation to client incentives. In line with IFRS 15, cash incentives paid to clients, who transferred to the platform for at least 12 months, have been considered to be a reduction in revenue earned from those clients, whereas previously these incentives were considered an operating cost. These incentives will now be recognised over a period of 12 months, being the period over which the incentive must be earned. As a result, the net impact to the Consolidated Income Statement is to increase operating profit by £1.0 million after the application of the new standard, IFRS 15, than previously would have been recognised under IAS 18.

No significant or material judgements have been made with regards to the application of IFRS 9 or IFRS 15.

IFRS 16 Leases will become applicable for the accounting period commencing 1 July 2019 and as a result has no impact on the current period accounts. The standard redefines the accounting for leases and will lead to new assets and liabilities being recognised in the Statement of Financial Position. It is considered likely that the Group will take advantage of the practical expedients afforded to it under IFRS 16 to not require a restatement of the prior period figures. The current proposed adoption will see the Group recognise material assets in the region of £21.0m and liabilities of £20.0m, leading to an immaterial net impact on the balance sheet. Key judgements have been made in relation to the appropriate discount rate used in the application of IFRS 16, although none of the judgements would lead to a material change in the amounts recognised on adoption of the standard.

Other than the adoption of IFRS 9 and IFRS 15, the same accounting policies, methods of computation and presentation have been followed in the preparation of the Interim Financial Statements for the six months ended 31 December 2018 as were applied in the Audited Annual Financial Statements for the year ended 30 June 2018.

Seasonality of operations

A high proportion of the Group's revenue is derived from the value of assets under administration or management on the HL platform or within HL funds. The values of these assets are influenced predominantly by new business volumes, the stock market and client withdrawals.

Revenues are not considered to be seasonal, with approximately 51% of revenues being earned in the second half of the financial year, based on previous financial years. The Group revenue is, however, sensitive to the impact of net new business inflows during a particular period. Given the current uncertainty around the UK's decision to leave the EU, there is a possibility of a decline in net new business in the second half of the year, which could have a subsequent impact on revenues over the following 12 months.

5.2 Material events after interim period-end

After the interim balance sheet date, an ordinary interim dividend of 10.3 pence per share (H1 2018: interim dividend 10.1p) amounting to a total dividend of £48.8 million (2018: £47.9 million) was declared by the plc Directors. These financial statements do not reflect this dividend payable.

There have been no other material events after the end of the interim period.

5.3 Principal risks and uncertainties

The principal risks and uncertainties which could impact the Group for the remainder of the financial year are those detailed on pages 24 to 31 of the Group's Annual Report and Financial Statements 2018, a copy of which is available on the Group's website, www.hl.co.uk. These remain the principal risks and uncertainties for the second half of this financial year and beyond; the key ones of which are listed below and they are regularly considered by the Board.

Operational risks

- Cybercrime, fraud or security breaches in respect of the Group's information, data, software or information technology systems.
- Business continuity event.
- Changing markets and increased competition.

Financial risks

- Risk of a decline in earnings due to a decline in interest rates or regulatory changes affecting interest income.
- Fluctuations in the capital markets adversely affecting trading activity and /or the value of the Group's assets under administration.

The Group is exposed to interest rate risk, the risk of sustaining losses from adverse movements in interest bearing assets. These assets comprise cash, cash equivalents and term deposits. At 31 December 2018 the value of such assets on the Group balance sheet was £322.5 million (at 31 December 2017: £279.2 million). A 50bps (0.5%) move in interest rates, in isolation, would therefore, not have a material direct impact on the Group balance sheet or results. This exposure is continually monitored to ensure that the Group is maximising its interest earning potential within accepted liquidity and credit constraints. The Group has no external borrowings and as such is not exposed to interest rate or refinancing risk on borrowings.

As a source of revenue is based on the value of client cash under administration, the Group also has an indirect exposure to interest rate risk on cash balances held for clients. These balances are disclosed in note 2.4 and are not on the Group balance sheet.

5.4 Related party transactions

The Company has a related party relationship with its Directors and members of the Executive Committee (the "key management personnel"). There were no material changes to the related party transactions during the financial period; transactions are consistent in nature with the disclosure in note 5.6 to the 2018 Annual Report.

5.5 Financial instruments' fair value disclosure

The fair values of the Group's financial assets and liabilities are not materially different from their carrying values. There have been no transfers of assets or liabilities between levels of the fair value hierarchy and there are no non-recurring fair value measurements.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which fair value is observable:

	Level 1 Quoted prices for similar instruments	Level 2 Directly observable market inputs other than Level 1 inputs	Level 3 Inputs not based on observable market data	Total
	£m	£m		£m
Unaudited at 31 December 2018				
Financial assets at fair value through profit or loss	0.4	-	-	0.4
Derivative financial assets	-	0.2	-	0.2
Derivative financial liabilities	-	(0.1)	-	(0.1)
	0.4	0.1	-	0.5
Unaudited at 31 December 2017				
Financial assets at fair value through profit or loss	0.9	-	-	0.9
Derivative financial assets	-	0.2	-	0.2
Derivative financial liabilities	-	(0.1)	-	(0.1)
	0.9	0.1	-	1.0
Audited at 30 June 2018				
Financial assets at fair value through profit or loss	1.5	-	-	1.5
Derivative financial assets	-	0.2	-	0.2
Derivative financial liabilities	-	(0.1)	-	(0.1)
	1.5	0.1	-	1.6

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. Instruments included in Level 1 comprise primarily equity investments and fund units entered into on a counter-party basis. As such there is no recurring valuation of financial instruments between reporting periods.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

Glossary of Alternative Performance Measures

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

Measure	Calculation	Why we use this measure
Dividend per share (pence per share)	Total dividend payable relating to a financial year divided by the total number of shares eligible to receive a dividend. Note ordinary shares held in the Hargreaves Lansdown Employee Benefit Trust have agreed to waive all dividends.	Dividend per share is pertinent information to shareholders and investors and provides them with the ability to assess the dividend yield of the Hargreaves Lansdown plc shares.
Operating Costs	The costs as per the Income Statement excluding commission payable (i.e. the aggregate of staff costs, other operating costs and FSCS costs).	In light of the transitional period relating to the Retail Distribution Review (see Net Revenue below) and the impact this had on commission payable in the form of loyalty bonuses, this measure of Operating Costs provides a more useful comparative measure over time.
Operating profit margin	Profits after deducting operating costs but before the impact of finance income and other gains or losses divided by revenue.	Provides a measure of profitability of the core operating activities and excludes non-core items.
Net new business inflows	Represents subscriptions, cash receipts, cash and stock transfers in less cash withdrawals, cash and stock transfers out.	Provides a measure of tracking the success of gathering assets on to the platform over time.
Net revenue (£) (See Income Statement on page 11 for the reconciliation of net revenue)	Total revenue less commission payments which are primarily loyalty bonuses paid to Vantage clients.	Because of the changes brought about to the client charging structure by the Retail Distribution Review ("RDR") there was a transitional period (from 1 March 2014 to 1 April 2016). From 1 March 2014 revenue was increased as Hargreaves Lansdown earned both a new platform fee from clients and the existing renewal commission from the Fund Management Groups based on the value of funds held by clients. At the same time the loyalty bonus paid to clients was significantly increased on the pre-RDR funds to largely mitigate the impact of the new platform fee. In order to aid comparability during the period of transition to 1 April 2016 the net revenue measure became the most useful comparative measure of revenue as it better reflected the underlying income relating to funds held by clients.
Net recurring revenue	Net revenue that is received every month depending on the value of assets held on the platform including platform fees, management fees and interest earned on client money.	Provides a measure of the quality of our earnings. We believe net recurring revenue provides greater profit resilience and hence is of higher quality than non-recurring revenue.
Percentage of recurring net revenue (bps)	The total value of renewal commission (after deducting loyalty bonuses), platform fees, management fees and interest earned on client money divided by the total net revenue.	Provides a measure of the quality of our earnings. We believe recurring revenue provides greater profit resilience and hence it is of higher quality than non-recurring revenue.
Net revenue margin (bps)	Total net revenue divided by the average value of assets under administration which includes the Portfolio Management Services assets under management held in funds on which a platform fee is charged.	Provides the most comparable means of tracking, over time, the margin earned on the assets under administration and is used by management to assess business performance.
Net revenue margin from cash (bps)	Net revenue from cash (net interest earned on the value of client money held on the platform divided by the average value of assets under administration held as client money).	Provides a means of tracking, over time, the margin earned on cash held by our clients.
Net revenue margin from funds (bps)	Net revenue derived from funds held by clients (platform fees, initial commission less loyalty bonus) divided by the average value of assets under administration held as funds, which includes the Portfolio Management Services assets under management held in funds on which a platform fee is charged.	Provides the most comparable means of tracking, over time, the margin earned on funds held by our clients.
Net revenue margin from HL Funds (bps)	Management fees derived from HL Funds (but excluding the platform fee) divided by the average value of assets held in the HL Funds.	Provides a means of tracking, over time, the margin earned on HL Funds.
Net revenue margin from shares (bps)	Net revenue from shares (stockbroking commissions, management fees where shares are held in a SIPP or ISA, less the cost of dealing errors) divided by the average value of assets under administration held as shares.	Provides a means of tracking, over time, the margin earned on shares held by our clients.
Transactional revenue	Revenue that is non-recurring in nature and dependent on a client instruction such as a deal to buy or sell shares or take advice.	Such revenue is not as high quality as recurring revenue but helps to show the diversification of our revenue streams.

General Information

EXECUTIVE DIRECTORS
Chris Hill
Philip Johnson

NON-EXECUTIVE DIRECTORS
Deanna Oppenheimer
Fiona Clutterbuck
Shirley Garrood
Roger Perkin
Stephen Robertson
Jayne Styles

COMPANY SECRETARY
Alison Zobel

INDEPENDENT AUDITOR
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DIVIDEND CALENDAR

	First dividend (interim)
Ex-dividend date*	14 February 2019
Record date**	15 February 2019
Payment date	11 March 2019

* Shares bought on or after the ex-dividend date will not qualify for the dividend.
** Shareholders must be on the Hargreaves Lansdown plc share register on this date to receive the dividend.