

Hargreaves Lansdown plc

Unaudited Company Interim Financial Statements for the 6 months ended 31 December 2019

Registered number: 02122142



Hargreaves Lansdown Plc

Contents

	Page
Directors and Company Details	1
Income Statement	2
Statement of Financial Position	3
Cash Flow Statement	4
Notes to the Financial Statements	5

These interim financial statements are prepared only for the purposes of Sections 836 and 838 of the Companies Act 2006. They are abridged and unaudited.

Hargreaves Lansdown Plc Directors and Company Details

EXECUTIVE DIRECTORS

C F Hill

P M Johnson

NON EXECUTIVE DIRECTORS

D Oppenheimer

S P Robertson

S J Garrood

F J Clutterbuck

R Perkin

D Olley

J Troiano (Appointed 1 January 2020)

COMPANY SECRETARY

A Zobel

REGISTERED OFFICE

One College Square South

Anchor Road

Bristol

BS1 5HL

Hargreaves Lansdown Plc Income Statement

	6 months to 31 December 2019 £m	Year to 30 June 2019 £m
Revenue	0.4	0.7
Total operating income	0.4	0.7
Administrative expenses	(1.9)	(6.0)
Operating profit	(1.5)	(5.3)
Investment revenues	52.3	203.6
Other gains/(losses)	-	-
Profit before tax	50.8	198.3
Tax	0.2	1.1
Profit for the period	51.0	199.4

All income, profits and earnings are in respect of continuing operations.

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Hargreaves Lansdown Plc

Statement of Financial Position

	At 31 December 2019	At 30 June 2019
	£m	£m
Non-current assets		
Financial assets - investments	57.8	51.7
	57.8	51.7
Current assets		
Trade and other receivables	169.5	242.3
Cash and cash equivalents	50.9	22.5
Current tax asset	1.3	1.1
	221.7	265.9
Total assets	279.5	317.6
Current liabilities		
Trade and other payables	102.2	43.2
Net current assets	119.5	222.7
Total liabilities	102.2	43.2
Net assets	177.3	274.4
Equity		
Share capital	1.9	1.9
Retained earnings	175.4	272.5
Total equity, attributable to equity shareholders of the parent	177.3	274.4

The interim financial statements of Hargreaves Lansdown Plc, company registered number 02122142, were approved by the board of directors on 30 January 2019 and signed on its behalf by:



Philip Johnson
Chief Financial Officer
 Date: 30 January 2019

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Hargreaves Lansdown Plc

Cash Flow Statement

	6 months to 31 December 2019	Year to 30 June 2019
	£m	£m
Net cash from operating activities		
Cash from/(used in) operations	102.6	209.8
Interest received	-	-
Dividends received from investments	-	-
Net cash received from operating activities	102.6	209.8
Investing activities		
(Increase)/decrease in term deposits	80.0	(8.0)
Purchase of investment in subsidiary	(4.0)	(4.0)
Net cash from / (used in) investing activities	76.0	(12.0)
Financing activities		
Dividends paid to owners of the parent	(150.2)	(190.5)
Proceeds on disposal of investments	-	-
Net cash used in financing activities	(150.2)	(190.5)
Net increase/(decrease) in cash and cash equivalents	28.4	7.3
Cash and cash equivalents at beginning of period	22.5	15.2
Cash and cash equivalents at end of period	50.9	22.5

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Hargreaves Lansdown Plc

Notes to the Financial Statements

1. Basis of preparation

These interim financial accounts have been prepared to provide the Directors with the financial position of the Company as at 31 December 2019 for the purposes of ensuring sufficient distributable reserves are available for an interim dividend payment in accordance with sections 836 and 838 of the Companies Act 2006. These financial statements are abridged and unaudited but have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") and relevant International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued by the International Accounting Standards Board ("IASB").

These accounts are not the Company's statutory financial statements. Statutory financial statements for the financial year ending 30 June 2019 have been delivered to the Registrar of Companies; the auditor's report on those accounts was not qualified, did not include a reference to any matters to which the auditors 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. To date, no statutory financial statements have been filed for any period ending later than 30 June 2019.

Hargreaves Lansdown plc Interim results for the six months ended 31 December 2019

Hargreaves Lansdown plc ("HL" or "the Group") today announces interim results for the six month period ended 31 December 2019.

Highlights

- Net new business of £2.3 billion.
- Assets under administration up 22% since 31 December 2018 to £105.2 billion.
- 1,274,000 active clients, an increase of 50,000 since 30 June 2019.
- Profit before tax increase of 12% to £171.1 million.
- Interim dividend up 9% to 11.2 pence per share (H1 2019: 10.3p)

Chris Hill, Chief Executive Officer, commented:

"The first half of our financial year was another period of growth. Despite market challenges, the resilience of our business, continued execution of our strategy and our focus on ensuring the right outcomes for clients, means we have seen growth and increased market share through the period.

We are confident that the diversified nature of Hargreaves Lansdown, our continued investment where we see opportunity and market leading client offering, mean that we are well placed to help our clients prosper, whilst delivering strong and sustainable returns for shareholders."

Financial highlights

	6 months ended 31 December 2019	6 months ended 31 December 2018	Change %	Year ended 30 June 2019
	(H1 2020)	(H1 2019)		(FY 2019)
Net new business	£2.31bn	£2.53bn	-9%	£7.3bn
Total assets under administration (AUA)	£105.2bn	£85.9bn	+22%	£99.3bn
Revenue	£257.9m	£236.4m	+9%	£480.5m
Profit before tax	£171.1m	£153.4m	+12%	£305.8m
Diluted earnings per share	29.3p	26.1p	+12%	52.0p
Interim dividend per share	11.2p	10.3p	+9%	10.3p

Contacts:

Hargreaves Lansdown

For media enquiries:

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

For analyst enquiries:

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

Analyst presentation

Hargreaves Lansdown will be hosting an analyst presentation at 9.00am on 31 January 2020 following the release of these results for the half year ended 31 December 2019. 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 601416. 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 2019 Annual Report, underlying such forward-looking information.

Unless otherwise stated, all figures below refer to the six months ended 31 December 2019 ("H1 2020"). Comparative figures are for the six months ended 31 December 2018 ("H1 2019"). 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.

LEI Number: 2138008ZCE93ZDSESG90

Chief Executive's Statement

Growth in challenging market conditions

The first half of our financial year was another period of growth for Hargreaves Lansdown as we reinforced our support for our clients and invested in our differentiated service. Our purpose remains to empower people to save and invest with confidence. To do this we must continuously deliver an exceptional client experience and respond to their evolving needs.

The external market was challenging in the second half of 2019, with political uncertainty, a General Election in the UK, Brexit and world trade tariffs all raising concerns. As we have seen in previous unpredictable periods, client confidence and retail investment flows were affected. The Investment Association reported weak retail fund flows throughout and the suspension of the two Woodford funds also contributed to the general unease.

Against this backdrop, we continue to implement our strategy. The benefits of our client focused business model, the broad range of our investments and savings proposition and our leading client service have seen AUA rise 22% over the past year to £105.2 billion and a 12% increase in profit before tax to £171.1 million. Client numbers grew by 50,000 to 1,274,000 and client retention is consistent with prior periods at 93.3%. In addition, our latest share of the direct to consumer platform market has increased from 40.5% to 41.8%*.

Earlier this month we entered into an agreement to sell FundsLibrary Limited, our data management and digital services business, to Broadridge Financial Solutions, Inc. The decision to sell reflected our view that, as a business to business service, it was no longer core to our overall business. The deal is expected to complete at the end of February 2020 and I wish staff, management and business every success in the future.

Delivering value for clients through our service

Our clients remain at the centre of everything that we do. They require information that builds knowledge and confidence and helps them to understand the decisions they have to make to meet their individual needs. We provide this together with an ever greater range of investment and savings products and solutions, and make it easy to access and manage them all in one place. With an ever-shifting regulatory and tax environment, our clients need support from us more than ever before.

By providing the services and solutions our clients need, when they need them, engaging with them at the right times and communicating in ways they prefer, we optimise the value we can bring to a lifelong relationship and help them to achieve outcomes that are right for them.

As a leading financial services company we take our responsibilities very seriously, striving to play our role in setting the highest standards and recognising the challenges as a result. We are committed to transparency and engagement with our clients as we support them with their evolving needs over the long term. Over the past year, we have removed various fees such as exit fees and ancillary charges which leaves us with what we consider is now one of the most transparent pricing structures in our sector.

Increasing numbers of our clients are approaching retirement and we are mindful of the challenges they face. During the period we launched a range of 'wake up' packs, helping clients to better understand their options and challenges regarding tax, income and investment. We also made improvements to our annuity process to help clients to secure enhanced annuities, and hence higher income, where available. Although interest rates remain low, we maintain our view that annuities are an important part of a range of tools we offer to get to the right outcomes for clients in retirement.

The period has seen continued growth and development of Active Savings as an innovative way to manage cash savings, which now has over £1.6bn of AUA and 46,000 customers using the service. This provides access to better rates for those that hold cash, whether they are in accumulation phase or in retirement. Banks increasingly recognise the relative importance of this platform as a means to raise deposits and development has continued with ICICI now offering an Easy Access Account and two new banks offering Fixed Term products. We continue to look at ways of extending this proposition further, including offering a new Cash ISA account in the coming months.

Our Multi-Manager fund range began a project late in 2018 to transfer assets they invest in into segregated mandates rather than off-the-shelf retail funds. This process gives the team greater control over who manages the underlying funds, and how they run them, as well as reducing the cost of being invested in these funds to our clients. The process is working well as we extend this to the benefit of investors.

Our values and culture underpin our client service and proposition

Our values and our culture are hugely important to us and underpin our client focus. I firmly believe that not only are these critical to how an organisation reacts in tough situations, but how it is prepared to learn and put that experience to work to the benefit of clients. The Woodford fund suspensions were disappointing and frustrating for us and our clients, but their impact and the learnings have been incorporated into developments to our service.

The FCA's 2017 review into best buy lists highlighted that they were a positive tool for investors and help them to make decisions. Our clients agree with this. However, we have now carried out a thorough review of our Wealth 50, spoken to clients to ascertain their views about our favourite funds list, and sought other independent insights. As a result, we will be making changes over the coming months to incorporate what we have learned from this research, including a greater focus on transparency of process. This will include adding more detail, greater transparency and a new structure to our research notes, for those clients who want a deeper level of information, and new functionality on our platform to help those who want to follow a more independent path.

It has been well documented that Philip Johnson and I, together with Lee Gardhouse and Mark Dampier decided to waive our bonuses for the 2019 financial year and we also waived platform fees for both the Woodford Equity Income Fund and the Woodford Income Focus Fund. A dedicated helpdesk team was created to support clients impacted by the closure of the Woodford Equity Income fund, and guide them through the coming months as it is wound up. We have been in regular and close communication with our clients and kept them fully informed with any updates. This has included writing to any of those invested in Woodford Equity Income, Woodford Income Focus and Woodford Patient Capital, either directly or through our Multi-Manager portfolios, 18 times with updates since the suspension of the Woodford Equity Income in June.

* Source: Platform UK D2C: Market Overview, February 2020 (provisional), data as at 30 September 2019.

Additionally, we have communicated throughout the period with a number of parties to encourage a broad consideration of options for the Woodford Income Focus Fund that would maximise value for unit holders. We polled clients to ensure that we were aligned to their needs, asking for their preferred outcome. We are pleased that the appointment of an alternative manager brings a resolution for these unit holders and that the fund will be open again in due course.

Finally, we are adding non-executive directors to the Hargreaves Lansdown Fund Managers Limited (HLFM) board to provide independent challenge and oversight closer to investment decisions. The first, John Troiano, joins us from Schroders where he was Global Head of Distribution. John's global asset management and investment experience will add further breadth to the knowledge base and skills to both the Plc Board as well as HLFM.

Dividend

The Board believes the Group has strong profitability, liquidity and a capital position to execute its strategy without financial constraint and to operate a sustainable and progressive ordinary dividend policy. We remain confident in our business model and the Board has declared a 9% rise in the interim dividend to 11.2 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

We remain excited by the structural growth opportunity in the UK savings and investments market and remain confident in our ability to deliver sustainable growth through the cycle. The secular transfer of long term financial provision from businesses to individuals, an increase in life expectancy, ongoing low asset yields, and a complex saving and investment environment all present immense challenges for our clients. We believe Hargreaves Lansdown is well placed to support them with these challenges through our client focused business model, broad investment and savings proposition and leading client service.

The strength and resilience of our business model has ensured that the business delivered continued net new business and profit growth during the period. Since the Election we have seen an increase in investor confidence, which has translated into increased client activity and early signs of renewed net flows into retail funds. We hope that this sentiment will continue through the key tax year end season and beyond, and remain confident that we are well placed to help our clients prosper and deliver strong and sustainable returns 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 all their hard work, dedication and commitment during a challenging period.

Chris Hill
Chief Executive Officer

Financial Review

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

	Unaudited 3 months to 30 September 2019	Unaudited 3 months to 31 December 2019	Unaudited 6 months ended 31 December 2019
Opening AUA	99.3	101.8	99.3
Net New Business	1.7	0.6	2.3
Market growth & other	0.8	2.8	3.6
Closing AUA	101.8	105.2	105.2

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 uncertainty around UK politics, Brexit, global macro issues such as trade tariffs, a significant decline in UK investor confidence and weak retail flows across the market as a whole.

Net new business for the first half totalled £2.3 billion. This was driven through a variety of channels including organic new client growth, ongoing wealth consolidation onto our platform from existing clients, continued flows into our cash management service "Active Savings" and direct back book transfers from J.P. Morgan and Baillie Gifford. New business in the period, particularly in the second quarter, was impacted by weak investor sentiment arising from the factors mentioned above. However, lead generation and client engagement has remained strong during the period and we have seen a pick-up in activity as we have moved into January 2020. We introduced 50,000 net new clients to our services in the six months to 31 December 2019 and grew our active client base by a further 4% to 1,274,000.

Total AUA increased by 6% to £105.2 billion as at 31 December 2019 (£99.3 bn as at 30 June 2019). This was driven by £2.3 billion of net new business (H1 2019: £2.5bn) plus significant positive stock market movements impacting asset values.

Income Statement

	Unaudited 6 months ended 31 December 2019 £m	Unaudited 6 months ended 31 December 2018 £m	Audited Year to 30 June 2019 £m
Revenue	257.9	236.4	480.5
Operating costs	(89.2)	(85.1)	(179.4)
Fair value gains on derivatives	1.0	1.1	2.2
Finance income	1.6	1.2	2.8
Finance costs	(0.2)	(0.2)	(0.3)
Profit before tax	171.1	153.4	305.8
Tax	(31.8)	(29.3)	(58.2)
Profit after tax	139.3	124.1	247.6

Revenue

Revenue for the period was up 9% to £257.9 million (H1 2019: £236.4 million), driven by AUA that on average was up 12.6% and increased net interest on client money as interest rate margins rose as expected. Revenue growth was slightly below the rate of AUA growth due to the waiving of platform fees on Woodford funds (c. £2.3m), net outflows within the HL Multi-manager funds and the removal of various fees such as exit and transfer fees.

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

	6 months ended 31 December 2019			6 months ended 31 December 2018			Year ended 30 June 2019		
	Revenue £m	Average AUA £bn	Revenue margin bps	Revenue £m	Average AUA £bn	Revenue margin bps	Revenue £m	Average AUA £bn	Revenue margin bps
Funds ¹	109.6	54.6 ⁷	40	103.2	50.1 ⁷	41	206.2	50.6 ⁷	41
Shares ²	45.7	35.0	26	42.1	30.8	27	86.2	31.4	27
Cash ³	46.0	11.2	82	33.2	9.9	67	73.2	10.2	72
HL Funds ⁴	33.9	9.2 ⁷	73	34.7	9.3 ⁷	74	68.3	9.2 ⁷	74
Other ⁵	22.7	1.3 ⁶	-	23.2	0.2 ⁶	-	46.6	0.5 ⁶	-
Double-count ⁷	-	(9.1) ⁷	-	-	(9.3) ⁷	-	-	(9.1) ⁷	-
Total	257.9	102.2 ⁷	-	236.4	91.0 ⁷	-	480.5	92.8 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.

Revenue on Funds increased by 6% to £109.6m (H1 2019: £103.2m) due to AUA growth from net new business and market growth. Funds remain our largest client asset class at 53% of average AUA (H1 2019: 55%), and the revenue margin earned on these in the period was in line with our expectations at 40bps (H1 2019: 41bps). As anticipated the fund margin has been slightly impacted as we waived the platform fee throughout the period on holdings in the Woodford Equity Income Fund and on the Woodford Income Focus Fund since its suspension in October 2019. 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. Funds AUA at the end of the period was £55.9 billion (H1 2019: £46.6bn).

Revenue on Shares increased by 9% to £45.7m (H1 2019: £42.1m) and the revenue margin of 26bps (H1 2019: 27bps) was at the low end of our expected range. This margin is primarily a result of the ratio of dealing volumes to AUA, and over the past three years average Shares AUA has grown by 60% whilst average dealing volumes have only grown 23%. Average stockbroking commissions per deal have been constant, as has the proportion of Shares to Total AUA on the platform and the proportion of our clients that hold equities. This denominator-driven change is therefore bringing the revenue margin ratio down, rather than any real margin deterioration and, as a result, we are tightening our modelling guidance in normal dealing volume environments to 24 to 28 basis points going forward. Shares AUA at the end of the period was £36.5 billion (H1 2019: £28.5bn).

Revenue on Cash increased by 39% to £46.0m (H1 2019: £33.2m) as increased AUA levels were combined with an increase in the net interest margin to 82bps (H1 2019 67bps). This was slightly ahead of our communicated expectations at the start of the year that margins would be within a 70bps to 80bps range for the period. For a while now expectations have been that the base rate of interest is likely to fall meaning rates being secured on term deposits now are typically lower than those last year. As a result we expect that the margin will be lower in the second half of the year. Cash accounts for 11% of average AUA (H1 2019: 11%) and, assuming there are no further rate changes, we anticipate the net interest margin on Cash for the 2020 financial year will continue to be in the range of 75bps to 80bps. Cash AUA at the end of the period was £11.1 billion (H1 2019: £10.4bn).

HL Funds consist of ten Multi-Manager funds, on which the management fee is 75bps per annum, and three Select equity funds, on which the management fee is 60bps. Revenue from HL Funds has fallen by 2% this year to £33.9m (H1 2019: £34.7m) due to modest net outflows as we have not actively marketed these funds whilst the Woodford Equity Income Fund holding within them has been suspended. The 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 73bps (H1 2019: 74bps). Please note that the platform fees on these assets are included in the Funds line and hence total average AUA of £102.2 billion (H1 2019: £91.0bn) excludes HL Funds AUM to avoid double-counting. HL Funds AUM at the end of the period was £9.4 billion (H1 2019: £8.6bn).

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. They declined by 2% in the period mainly because of the removal of various fees such as exit charges. 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. As highlighted previously we believe it is strategically imperative to capture the scale advantage of being a first mover. Consequently our focus remains 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 2019 the AUA was £1.6 billion (H1 2019: £0.4 billion).

	Unaudited 6 months ended 31 December 2019 £m	Unaudited 6 months ended 31 December 2018 £m	Audited Year to 30 June 2019 £m
Recurring revenue	209.9	190.3	387.3
Transactional revenue	43.2	41.8	84.3
Other revenue	4.8	4.3	8.9
Total revenue	257.9	236.4	480.5

The Group's revenues are largely recurring in nature, as shown in the table above, with the proportion of recurring revenues increasing slightly to 81% in the period (H1 2019: 80%). 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 10% to £209.9 million (H1 2019: £190.3 million) due to increased average AUA from continued net new business and higher margins on cash. 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 increased by 3% to £43.2 million (H1 2019: £41.8 million) with higher 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 12% from £4.3 million to £4.8 million driven by new Solvency II and MiFID II services.

Operating costs

	Unaudited 6 months ended 31 December 2019 £m	Unaudited 6 months ended 31 December 2018 £m	Audited Year ended 30 June 2019 £m
Staff costs	50.5	49.5	97.2
Marketing and distribution costs	6.0	6.0	12.7
Depreciation, amortisation & financial costs	8.4	5.8	12.4
Other costs	22.6	23.5	50.3
	87.5	84.8	172.6
Total FSCS levy	1.7	0.3	6.8
Total operating costs	89.2	85.1	179.4

Having gone through a period of investment catch up, costs continue to be tightly managed in line with market conditions of the time. Hargreaves Lansdown is a growing business and higher client numbers and associated activity levels will however continue to require investment in our marketing, proposition and 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.

During the first half of 2020, excluding the FSCS levy, operating costs increased by 3% to £87.5 million versus £84.8 million in the comparable H1 2019 period. This control of costs has been made whilst administering significant net new flows of business and clients, improving market share, maintaining high client retention rates and continuing the development of our product and growth capabilities.

Staff costs rose by 2% to £50.5 million (H1 2019: £49.5 million). Average staff numbers increased by 4% from 1,534 in H1 19 to 1,588 in H1 20 with the key increases being in Technology, Marketing and in Operations, in line with higher client activity levels and the expansion of our capabilities.

Marketing and distribution costs were in line with prior year at £6.0 million (H1 2019: £6.0 million). Although we continued to invest in our digital marketing presence, targeted marketing campaigns for the likes of Active Savings and engagement with existing and target clients around Brexit and the general election, other marketing expenses were reduced. We expect to increase marketing activity in the second half and through the tax year end following a rise in investor confidence, client engagement and activity levels. This conscious investment into our growth will likely see marketing cost return to their 2018 normalised levels, adjusted for the growth in the business since that period.

Depreciation, amortisation and financial costs increased by £2.6 million. In the period the Group has adopted the new accounting standard IFRS 16 "Leases" whereby operating leases have been capitalised and brought on to the balance sheet. As a result there has been an additional £1.6 million of depreciation charged in the period. Previously the lease costs were part of our office running costs and included within the category of "other costs" in the table above, which largely explains why other costs have decreased by £0.9 million to £22.6 million (H1 2019: £23.5 million). The remaining £1.0 million increase in depreciation, amortisation and financial costs is 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 £4.7 million (H1 2019: £6.5 million). The majority of this expenditure was for cyclical replacement of IT hardware, the continued project to enhance the capacity and capability of our key administration systems, the ongoing development of Active Savings and the acquisition of books of business from J.P. Morgan and Baillie Gifford.

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 December 2019 an interim levy of £1.5 million was charged by the FSCS and there was an additional charge of £0.2 million relating to an under accrual of the prior year's levy. By comparison, in the prior year, there was an interim levy 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 £6.8 million.

Profit before tax

Hargreaves Lansdown's success is built around delivering high service standards, efficiently dealing with ever growing 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 12% to £171.1 million (H1 2019: £153.4 million).

Disposal of FundsLibrary Limited

On 21 January 2020, the Group entered into an agreement to sell FundsLibrary Limited to Broadridge Financial Solutions, Inc. This transaction is expected to complete at the end of February 2020 and will result in net proceeds to the Group of approximately £40 million. Revenues from FundsLibrary are already separately disclosed and we estimate ongoing annual profits will reduce by two to three million pounds following completion.

Tax

The effective tax rate for the period was 18.6% (H1 2019: 19.1%), 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 2019 £m	Unaudited 6 months ended 31 December 2018 £m	Audited Year to 30 June 2019 £m
Operating profit	169.7	152.4	303.3
Finance income	1.6	1.2	2.8
Finance costs	(0.2)	(0.2)	(0.3)
Profit before tax	171.1	153.4	305.8
Tax	(31.8)	(29.3)	(58.2)
Profit after tax	139.3	124.1	247.6
Weighted average number of shares for the calculation of diluted EPS	475.6	475.8	475.8
Diluted EPS (pence per share)	29.3	26.1	52.0

Diluted EPS increased by 12% from 26.1 pence to 29.3 pence, reflecting the Group's positive trading performance. The Group's basic EPS was also 29.3 pence, compared with 26.1 pence in H1 2019.

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 2019 was £317.6 million (H1 2019: £321.8 million) as cash generated through trading offset the payments of the 2019 final and special dividends. This includes cash on longer-term deposit and is before funding the 2020 interim dividend of £53.1 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 2019, made up of share capital, share premium, retained earnings and other reserves increased to £442.5 million (H1 2019: £385.5 million) as continued profitability more than offset dividend payments. Included within shareholders' equity are distributable reserves of £441.0 million (H1 2019: £381.3million).

The Group has three subsidiary companies authorised and regulated by the Financial Conduct Authority ("FCA") and one subsidiary authorised by the FCA under the Payment Services Regulations 2017. 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 www.hl.co.uk/investor-relations/key-financial-data.

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 11.2 pence per share (H1 2019: 10.3 pence per share). The interim dividend will be paid on 9 March 2020 to all shareholders on the register at 14 February 2020.

AGM withdrawal of Resolution 18

Hargreaves Lansdown plc notes its inclusion on the Investment Association Register with respect to the withdrawal of resolution 18 – political donations and expenditure - at its Annual General Meeting (AGM) on 10 October 2019. The purpose of this resolution, which is standard in FTSE 100 companies, was to obtain precautionary approval, within defined minimal limits, should any such expenditure (as defined by the Companies Act 2006) be made in the normal course of business. There was and remains no intention for the Company to make any political donations or expenditure at this time. The Company recognises that the withdrawal of resolutions is rare and less than ideal and that in such an event, the Corporate Governance Code requires that the Company consult with its shareholders. We have and continue to consider the position and engage with our shareholders on this matter and may consult further should any further action be required.

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 27 of the Interim Report and Condensed Consolidated Financial Statements 6 months ended 31 December 2019.

By order of the Board:



Philip Johnson
Chief Financial Officer
30 January 2020

Independent review report to Hargreaves Lansdown plc

Report on the Interim results for the six months ended 31 December 2019

Our conclusion

We have reviewed Hargreaves Lansdown plc's Interim results for the six months ended 31 December 2019 (the "interim financial statements") in the half-yearly report of Hargreaves Lansdown plc for the 6 month period ended 31 December 2019. Based on our review, nothing has come to our attention that causes us to believe that the interim 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 2019;
- the Condensed Consolidated Income Statement and 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 interim financial statements included in the half-yearly report 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 interim 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 interim financial statements and the review

Our responsibilities and those of the directors

The half-yearly report, including the interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly report 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 interim financial statements in the half-yearly report 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 interim 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 half-yearly report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants
London
30 January 2020

Section 1: Results for the period
Condensed Consolidated Income Statement
for the period ended 31 December 2019

		Unaudited 6 months ended 31 December 2019 IFRS 16	Unaudited 6 months ended 31 December 2018 IAS 17	Audited Year to 30 June 2019 IAS 17
	Note	£m	£m	£m
Revenue	1.1	257.9	236.4	480.5
Fair value gains on derivatives		1.0	1.1	2.2
Operating costs	1.3	(89.2)	(85.1)	(179.4)
Operating profit		169.7	152.4	303.3
Finance income	1.4	1.6	1.2	2.8
Finance costs		(0.2)	(0.2)	(0.3)
Profit before tax		171.1	153.4	305.8
Tax	1.5	(31.8)	(29.3)	(58.2)
Profit for the period		139.3	124.1	247.6
Attributable to:				
Owners of the parent		139.2	124.0	247.4
Non-controlling interest		0.1	0.1	0.2
		139.3	124.1	247.6
Earnings per share (pence)	1.6			
Basic earnings per share		29.3	26.1	52.1
Diluted earnings per share		29.3	26.1	52.0

The results relate entirely to continuing operations.

After the balance sheet date, the Directors declared an ordinary interim dividend of 11.2 pence per share payable on 9 March 2020 to shareholders on the register at 14 February 2020.

The principal statements for prior periods have not been restated upon the adoption of IFRS 16 – see note 5.1 for further details.

Condensed Consolidated Statement of Comprehensive Income
for the period ended 31 December 2019

	Unaudited 6 months ended 31 December 2019 IFRS 16	Unaudited 6 months ended 31 December 2018 IAS 17	Audited Year to 30 June 2019 IAS 17
	£m	£m	£m
Profit for the period	139.3	124.1	247.6
Total comprehensive income for the financial period	139.3	124.1	247.6
Attributable to:			
Owners of the parent	139.2	124.0	247.4
Non-controlling interest	0.1	0.1	0.2
	139.3	124.1	247.6

Section 1: Results for the period
Notes to the Condensed Consolidated Statement of Comprehensive
Income
for the period ended 31 December 2019

1.1 Revenue

Revenue represents fees receivable from financial services provided to clients, net interest income on client money and management fees charged to clients. It relates to services provided in the UK and is stated net of value added tax. Recurring revenue is the largest source of income for the Group encompassing: platform fees, fund management fees, interest on client money and ongoing adviser charges.

Transactional revenue is mainly comprised of: fees on stockbroking transactions, initial adviser charges and renewal commission. The price is determined in relation to the specific transaction type and are frequently flat fees.

Other revenue is made up entirely of the provision of funds data services and research to external parties through FundsLibrary.

	Unaudited 6 months ended 31 December 2019	Unaudited 6 months ended 31 December 2018	Audited Year to 30 June 2019
Revenue	£m	£m	£m
Recurring revenue	209.9	190.4	387.3
Transactional revenue	43.2	41.7	84.3
Other revenue	4.8	4.3	8.9
Revenue	257.9	236.4	480.5

1.2 Segment information

Under IFRS 8, operating segments are required to be determined based upon the way the Group generates revenue and incurs expenses 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 2019	Unaudited 6 months ended 31 December 2018	Audited Year to 30 June 2019
Operating costs	£m	£m	£m
Depreciation	4.2	2.5	5.4
Amortisation	2.6	2.3	4.6
Marketing and distribution costs	6.0	6.0	12.7
Operating lease payables	0.1	1.8	3.4
Office running costs – excluding operating lease payables	1.7	2.0	3.4
FSCS costs	1.7	0.3	6.8
Other costs	22.4	20.7	45.9
Staff costs	50.5	49.5	97.2
Operating costs	89.2	85.1	179.4

In the current period operating lease payables include only short term leases due to the adoption of IFRS 16. See note 5.1 for further details. Other costs include data costs, dealing costs, computer maintenance, legal and professional fees, as well as irrecoverable VAT.

Section 1: Results for the period
Notes to the Condensed Consolidated Statement of Comprehensive
Income
for the period ended 31 December 2019

1.4 Finance income

	Unaudited 6 months ended 31 December 2019	Unaudited 6 months ended 31 December 2018	Audited Year to 30 June 2019
	£m	£m	£m
Interest on bank deposits	1.6	1.2	2.8
	1.6	1.2	2.8

1.5 Tax

	Unaudited 6 months ended 31 December 2019	Unaudited 6 months ended 31 December 2018	Audited Year to 30 June 2019
	£m	£m	£m
The tax charge for the period is based on the prevailing standard rate of tax for the year to 30 June 2020 of 18.5% (30 June 2019: 19.0%).			
Current tax - on profits for the period	32.1	29.1	58.4
Current tax - adjustments in respect of prior years	-	-	0.1
Deferred tax	(0.3)	0.2	(0.2)
Deferred tax - adjustments in respect of prior years	-	-	(0.1)
	31.8	29.3	58.2

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 2019	Unaudited 6 months ended 31 December 2018	Audited Year to 30 June 2019
	£m	£m	£m
Deferred tax relating to share-based payments	0.1	0.6	0.6
Current tax relating to share-based payments	(0.3)	(0.3)	(1.0)
	(0.2)	0.3	(0.4)

Section 1: Results for the period
Notes to the Condensed Consolidated Statement of Comprehensive
Income
for the period ended 31 December 2019

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 2019 (nil at 31 December 2018 and nil at 30 June 2019).

	Unaudited 6 months ended 31 December 2019	Unaudited 6 months ended 31 December 2018	Audited Year to 30 June 2019
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	139.2	124.0	247.4
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	(122,231)	(145,347)	(125,270)
Weighted average number of share options held by HL EBT which have vested unconditionally with employees	369,192	289,018	382,065
Weighted average number of shares for the purposes of basic EPS	474,565,586	474,462,296	474,575,420
Weighted average number of dilutive share options held by HL EBT that have not vested unconditionally with employees	1,002,809	1,327,508	1,189,428
Weighted average number of shares for the purpose of diluted EPS	475,568,395	475,789,804	475,764,848
Earnings per share	Pence	Pence	Pence
Basic EPS	29.3	26.1	52.1
Diluted EPS	29.3	26.1	52.0

Section 2: Assets & Liabilities
Condensed Consolidated Statement of Financial Position
for the period ended 31 December 2019

		Unaudited at 31 December 2019 IFRS 16	Unaudited at 31 December 2018 IAS 17	Audited at 30 June 2019 IAS 17
	Note	£m	£m	£m
ASSETS:				
Non-current assets				
Goodwill		1.3	1.3	1.3
Other intangible assets	2.1	22.9	18.2	23.0
Property, plant and equipment	2.1	34.0	15.4	16.0
Deferred tax assets		3.8	3.3	3.8
		62.0	38.2	44.1
Current assets				
Trade and other receivables	2.3	795.2	626.0	748.6
Cash and cash equivalents	2.4	184.8	112.5	179.3
Investments	2.2	0.9	0.4	1.1
Derivative financial instruments		0.1	0.2	0.1
Current tax assets		-	0.8	-
Assets classified as held for sale	2.5	13.9	-	-
		994.9	739.9	929.1
Total assets		1,056.9	778.1	973.2
LIABILITIES:				
Current liabilities				
Trade and other payables	2.6	588.8	363.0	485.7
Derivative financial instruments		-	0.1	-
Current tax liabilities		0.1	28.5	27.5
Liabilities associated with assets classified as held for sale	2.5	2.9	-	-
		591.8	391.6	513.2
Net current assets		403.1	348.3	415.9
Non-current liabilities				
Provisions		0.7	1.0	0.7
Lease liabilities		21.9	-	-
Total liabilities		614.4	392.6	513.9
Net assets		442.5	385.5	459.3
EQUITY:				
Share capital	3.1	1.9	1.9	1.9
Shares held by Employee Benefit Trust reserve		(5.0)	(4.6)	(3.4)
EBT reserve		(0.1)	5.6	1.5
Retained earnings		444.2	381.3	457.9
Total equity, attributable to the owners of the parent		441.0	384.2	457.9
Non-controlling interest		1.5	1.3	1.4
Total equity		442.5	385.5	459.3

The principal statements for prior periods have not been restated upon the adoption of IFRS 16 – see note 5.1 for further details.

After the end of the period the Group has entered into an arrangement that impacts the accounting and presentation for the Groups financial position. See note 2.5 for further details

Section 2: Assets & Liabilities

Notes to the Condensed Consolidated Statement of Financial Position for the period ended 31 December 2019

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

Capital expenditure

During the six months ended 31 December 2019, the Group acquired fixtures, fittings, plant, equipment and software assets and internally generated intangibles with a cost of £4.7 million (H1 2019: £6.5 million, year to 30 June 2019: £17.1 million).

The additional increase in fixed assets is due to the adoption of IFRS 16, which has increased Property, plant and equipment by £20.8m – see note 5.1 for further details.

2.2 Investments

	Unaudited at 31 December 2019	Unaudited at 31 December 2018	Audited at 30 June 2019
	£m	£m	£m
At beginning of period	1.1	1.5	1.5
Sales	(0.2)	(1.1)	(0.4)
Purchases	-	-	-
At end of period	0.9	0.4	1.1
Comprising:			
Current asset investment - UK listed securities valued at quoted market price	0.9	0.4	1.1

£0.9 million (31 December 2018: £0.4 million, 30 June 2019: £1.1 million) of investments are classified as held at fair value through profit and loss. These investments are all level 1 financial instruments in line with the fair value hierarchy under IFRS 7 and there have been no transfers between levels in the period.

2.3 Trade and other receivables

	Unaudited at 31 December 2019	Unaudited at 31 December 2018	Audited at 30 June 2019
	£m	£m	£m
Financial assets:			
Trade receivables	578.0	355.2	461.4
Term deposits	135.0	210.0	215.0
Other receivables	4.4	4.9	4.5
	717.4	570.1	680.9
Non-financial assets:			
Accrued income	69.6	50.5	59.1
Prepayments	8.2	5.4	8.6
	795.2	626.0	748.6

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.

In accordance with market practice, certain balances with clients, Stock Exchange member firms and other counterparties totalling £529.1 million (31 December 2018: £331.3 million, 30 June 2019: £429.3 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 £629.8 million and the gross amount of offset in the balance sheet with trade payables is £95.8 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.

Section 2: Assets & Liabilities
Notes to the Condensed Consolidated Statement of Financial Position
for the period ended 31 December 2019

2.4 Cash and cash equivalents

	Unaudited at 31 December 2019	Unaudited at 31 December 2018	Audited at 30 June 2019
	£m	£m	£m
Group cash and cash equivalent balances	182.6	111.8	179.0
Restricted cash - balances held by Hargreaves Lansdown EBT	2.2	0.7	0.3
	184.8	112.5	179.3

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.

Included within "Assets classified as held for sale" are cash and cash equivalents totalling £11.4m, these are classified in the same way as the cash and cash equivalents of the Group. See note 2.5 for further details.

At 31 December 2019 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 £5,634 million (31 December 2018: £10,426 million, 30 June 2019 £5,398 million). In addition there were cash balances held on behalf of clients not governed by the client money rules of £6,600 million (31 December 2018: £14.1 million, 30 June 2019: £6,075.7 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 Assets classified as held for sale

After the reporting date the Group entered into an arrangement to sell FundsLibrary Ltd. As at the reporting date, the Group was committed to the sale of the subsidiary and as such the assets and liabilities of FundsLibrary Ltd are classified as held for sale and are shown separately in the Consolidated Statement of Financial Position. The assets and liabilities of the subsidiary are shown below:

	Unaudited at 31 December 2019
	£m
Assets:	
Property, plant and equipment	0.7
Intangible assets	0.1
Deferred tax assets	0.2
Trade and receivables	1.5
Cash and cash equivalents	11.4
Total assets	13.9
Liabilities:	
Trade and other payables	2.1
Current tax liabilities	0.5
Non-current lease liabilities	0.3
Total liabilities	2.9
Net assets	11.0

Included in the property, plant and equipment of FundsLibrary Ltd is a right-of-use asset in relation to the offices of the company, carried at £0.4m. Included in trade and other payables are current lease liabilities of £0.2m.

Section 2: Assets & Liabilities

Notes to the Condensed Consolidated Statement of Financial Position for the period ended 31 December 2019

2.6 Trade and other payables

	Unaudited at 31 December 2019	Unaudited at 31 December 2018	Audited at 30 June 2019
	£m	£m	£m
Financial liabilities:			
Trade payables	548.8	327.8	433.9
Social security and other taxes	5.2	4.4	7.3
Other payables	23.1	17.9	19.6
	577.1	350.1	460.8
Non-financial liabilities:			
Accruals	10.6	12.5	23.8
Deferred income	0.2	0.4	1.1
Short term provisions	0.9	-	-
	588.8	363.0	485.7

In accordance with market practice, certain balances with clients, Stock Exchange member firms and other counterparties totalling £531.1 million (31 December 2018: £327.1 million, 30 June 2019: £425.6 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, as well as the current element of IFRS 16 lease payables. Accruals and deferred income principally comprise amounts outstanding for trade purchases and revenue received but not yet earned on workplace pension schemes administered on behalf of other groups, where an ongoing service is still being provided.

Section 3: Equity
Condensed Consolidated Statement of Changes in Equity
for the period ended 31 December 2019

	Share capital £m	Shares held by EBT reserve £m	EBT reserve £m	Retained earnings £m	Total £m	Non-controlling interest £m	Total equity £m
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)
Loss on HL 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)¹	-	-	-	(141.7)	(141.7)	-	(141.7)
At 31 December 2018	1.9	(4.6)	5.6	381.3	384.2	1.3	385.5
At 1 July 2019	1.9	(3.4)	1.5	457.9	457.9	1.4	459.3
Impact of change in accounting policy (note 5.1)	-	-	-	(4.1)	(4.1)	-	(4.1)
Revised balance as at 1 July 2019	1.9	(3.4)	1.5	453.8	453.8	1.4	455.2
Total comprehensive income	-	-	-	139.2	139.2	0.1	139.3
Employee Benefit Trust:							
Shares sold during the period	-	3.8	-	-	3.8	-	3.8
Shares acquired in the period	-	(5.4)	-	-	(5.4)	-	(5.4)
Loss on HL EBT share sale	-	-	(2.4)	-	(2.4)	-	(2.4)
Reserve transfer on exercise of share options	-	-	0.8	(0.8)	-	-	-
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	-	-	-	(0.1)	(0.1)	-	(0.1)
Dividend paid (note 3.2)	-	-	-	(150.2)	(150.2)	-	(150.2)
At 31 December 2019	1.9	(5.0)	(0.1)	444.2	441.0	1.5	442.5

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 2019

3.1 Share capital

	Unaudited at 31 December 2019	Unaudited at 31 December 2018	Audited at 30 June 2019
	£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 2019	Unaudited at 31 December 2018	Audited at 30 June 2019
	£m	£m	£m
Amounts recognised as distributions to equity holders in the period:			
2019 Final dividend of 22.1p per share (2018 – 20.4p)	110.9	104.7	104.7
2019 Special Dividend of 8.3p per share (2018 – 7.8p)	39.3	37.0	37.0
2019 First interim dividend of 10.3p per share	-	-	48.8
Total	150.2	141.7	190.5

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 2019	Unaudited at 31 December 2018	Audited at 30 June 2019
Number of shares held by the Hargreaves Lansdown Employee Benefit Trust	447,134	428,335	387,684
Representing % of called-up share capital	0.09%	0.09%	0.08%

Section 4
Condensed Consolidated Statement of Cash Flows
as at 31 December 2019

		Unaudited at 31 December 2019	Unaudited at 31 December 2018	Audited at 30 June 2019
	Note	£m	£m	£m
Net cash from operating activities				
Profit for the period after tax		139.3	124.1	247.6
Adjustments for:				
Income tax expense		31.8	29.3	58.2
Depreciation of plant and equipment		4.2	2.5	5.4
Amortisation of intangible assets		2.6	2.3	4.6
Share-based payment expense		2.1	2.0	3.9
Increase in provisions		-	0.3	-
Operating cash flows before movements in working capital		180.0	160.5	319.7
(Increase)/decrease in receivables		(128.1)	(10.8)	(128.4)
(Decrease)/increase in payables		104.3	(1.7)	121.0
Cash generated from operations		156.2	148.0	312.3
Income tax paid		(58.8)	(21.8)	(50.8)
Net cash generated from operating activities		97.4	126.2	261.5
Investing activities				
Decrease/(increase) in term deposits		80.0	12.0	7.0
Proceeds on disposal of investments		0.2	1.1	0.4
Purchase of property, plant and equipment		(2.1)	(4.1)	(7.6)
Purchase of intangible assets		(2.6)	(2.4)	(9.5)
Net cash from / (used in) investing activities		75.5	6.6	(9.7)
Financing activities				
Purchase of own shares in EBT		(5.4)	(6.1)	(15.0)
Proceeds on sale of own shares in EBT		1.4	2.2	7.7
Dividends paid to owners of the parent		(150.2)	(141.7)	(190.5)
Payments of principal in relation to lease liabilities		(1.8)	-	-
Net cash used in financing activities		(156.0)	(145.6)	(197.8)
Net (decrease) in cash and cash equivalents		16.9	(12.8)	54.0
Cash and cash equivalents at beginning of period		179.3	125.3	125.3
Cash and cash equivalents of Group at end of period		196.2	112.5	179.3
Cash held as part of assets classified as held for sale at end of period		(11.4)	-	-
Cash and cash equivalents at end of period	2.4	184.8	112.5	179.3

The adoption of IFRS 16 and adjustments made in relation to the adoption of that standard have had no impact on cash flows. As a result the value of current lease liabilities included in other payables does not impact the change in payables in the current period.

Section 5

Other Notes

as at 31 December 2019

5.1 Basis of preparation

The consolidated Interim Financial Statements of Hargreaves Lansdown plc for the six months to 31 December 2019 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 2019 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 online 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 one new accounting standard, IFRS 16 "Leases", which became applicable for the accounting period commencing 1 July 2019. The standard replaces IAS 17 "Leases". It fundamentally changes the way the Group accounts for leases, as previously unrecognised operating leases are now recognised on balance sheet as lease liabilities and right of use assets.

The Group has adopted the modified retrospective approach to application of the standard and as a result there has been no restatement of the prior period figures, but opening reserves have been adjusted. The opening liabilities in relation to these leases have been calculated as the present value of the future lease payments, at the point of adoption, discounted at the incremental borrowing rate as at 1 July 2019. The incremental borrowing rate for each lease is considered based on the relevant terms of the lease taking into account factors such as length of lease, the location and economic factors impacting the asset and the credit rating of the Group company entering into the lease. The rates range between 2.5% and 4.4% (2019: 2.5% and 4.4%), with a weighted average incremental borrowing rate of 2.8%

A reconciliation of the presented minimum lease payments under operating leases presented in the prior year, under IAS 17, to the liabilities under IFRS 16 are below:

	Audited at 30 June 2019
	£m
Operating lease commitments as at 30 June 2019	23.9
Impact of treatments for VAT	3.8
Effect of discounting at relevant incremental borrowing rate	(2.1)
Short term lease	(0.2)
Lease liabilities recognised on adoption	25.4

On the date of adoption, the Group entered into another lease for property that has been accounted for under IFRS 16, but which did not impact the reconciliation upon adoption from operating lease commitments to the lease liabilities under IFRS 16. The value of this asset was £2.8m, it is included in the opening value of lease liabilities, but does not form part of the reconciliation to the operating lease commitments presented at 30 June 2019.

The right-of-use assets recognised in the period were initially measured on a retrospective basis, as though the standard had always been applied. The new lease entered into at the start of the period was measured as the value of the lease liability adjusted for the amounts of any prepaid or accrued lease payments and any dilapidation costs that were likely to be incurred.

Section 5

Other Notes

as at 31 December 2019

5.1 Basis of preparation (continued)

All of the leases and the related right-of-use assets recognised in the period relate to property, being the offices of Group companies, as a result they have been accounted for as a part of property, plant and equipment, due to the other assets held under this classification by the group are complementary in nature. The total value of assets recognised as at 1 July 2019 was £20.8m.

Upon adoption of the standard, the following adjustments were made to the Statement of Financial Position as at 1 July 2019

- Right-of-use assets, presented in Property, Plant and Equipment of £20.8m were recognised;
- Lease liabilities of £28.2m were recognised, recognised in lease liabilities and other payables for non-current and current balances respectively;
- Accruals for lease incentives decreased by £3.3m;
- Opening reserves were adjusted by £4.1m.

In the six months to 31 December 2019 the adoption of IFRS 16 has led to a decrease in expenses in the period of £0.2m.

The standard affords a number of practical expedients upon transition to IFRS 16 and the Group has taken advantage of the following:

- No reassessment has taken place of contracts previously identified as leases under IAS 17 and IFRIC 4;
- Reliance on assessments performed prior to adoption of whether or not a lease is onerous;
- Accounting for leases with a remaining life of less than 12 months as at the date of transition as short term leases;
- Exclusion of initial direct costs from the measurement of right-of-use asset at the date of initial application.

The impact of the adoption of the standard on the accounting policies of the company are as follows:

i. Property, plant and equipment

Property, plant and equipment now includes both owned and leased assets. Owned assets are measured initially at cost and subsequently at cost less accumulated depreciation.

Leased assets are measured initially at the present value of all future lease payments, less any prepaid or accrued rent or incentives and any expected dilapidation cost being the initial value. Subsequently, leased assets are measured at initial value less accumulated depreciation.

Depreciation is charged in a straight line across the useful economic life for both owned and leased assets, where the useful economic life is determined by management upon purchase for owned assets and is the lease term for all leased assets.

ii. Other payables

Lease liabilities are included within current other payables and non-current lease liabilities, being initially calculated in line with IFRS 16. On inception a lease liability is measured as the present value of future lease payments, discounted at the incremental borrowing rate implied within the lease. The future lease payments of the group are fixed, except for those that relate to leases in a currency other than GBP, which may vary due to exchange rate movements.

Interest expense is occurred in relation to these leases, which is recognised as an expense in the period to which payment relates, on an accruals basis.

The group has other short term leases, which are leases with a remaining life of less than twelve months upon adoption of IFRS 16. Expenses in relation to rent are accounted for on a straight line basis, with expenses recognised in profit or loss.

Assets held for sale

Disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. The Group must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification. When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Other than in relation to the adoption of IFRS 16 and assets held for sale, 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 2019 as were applied in the Audited Annual Financial Statements for the year ended 30 June 2019.

Section 5

Other Notes

as at 31 December 2019

5.1 Basis of preparation (continued)

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 consequences of 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 11.2 pence per share (H1 2019: interim dividend 10.3p) amounting to a total dividend of £53.1 million (2019: £48.8 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 2019, 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 2019 the value of such assets on the Group balance sheet was £331.2 million (at 31 December 2018: £322.5 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 Statement of Financial Position.

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 2019 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.

Section 5
Other Notes
as at 31 December 2019

5.5 Financial instruments' fair value disclosure (continued)

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 2019				
Financial assets at fair value through profit or loss	0.9	-	-	0.9
Derivative financial assets	-	0.1	-	0.1
Derivative financial liabilities	-	-	-	-
	0.9	0.1	-	1.0
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
Audited at 30 June 2019				
Financial assets at fair value through profit or loss	1.1	-	-	1.1
Derivative financial assets	-	0.1	-	0.1
Derivative financial liabilities	-	-	-	-
	1.1	0.1	-	1.2

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, such as foreign currency exchange rates, 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 pay-out ratio	The total dividend per share divided by the earnings per share (EPS) for a financial year.	Provides a measure of the level of profits paid out to shareholders and the level retained in the business.
Dividend per share (pence per share)	Total dividend payable relating to a financial year divided by the total number of shares eligible to receive a dividend. Note ordinary shares held in the Hargreaves Lansdown Employee Benefit Trust have agreed to waive all dividends.	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 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.
Percentage of recurring revenue (%)	The total value of renewal commission (after deducting loyalty bonuses), platform fees, management fees and interest earned on client money divided by the total 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.
Revenue margin (bps)	Total revenue divided by the average value of assets under administration which includes the Portfolio Management Services assets under management held in funds on which a platform fee is charged.	Provides the most comparable means of tracking, over time, the margin earned on the assets under administration and is used by management to assess business performance.
Revenue margin from cash (bps)	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.
Revenue margin from funds (bps)	Revenue derived from funds held by clients (platform fees, initial commission less loyalty bonus) divided by the average value of assets under administration held as funds, which includes the Portfolio Management Services assets under management held in funds on which a platform fee is charged.	Provides the most comparable means of tracking, over time, the margin earned on funds held by our clients.
Revenue margin from 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.
Revenue margin from shares (bps)	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.
Recurring revenue	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.	We believe recurring revenue provides greater profit resilience and hence is of higher quality than non-recurring revenue.
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 Garrod
Dan Olley
Roger Perkin
Stephen Robertson
John Troiano (appointed 1 January 2020)

COMPANY SECRETARY

Alison Zobel

INDEPENDENT AUDITOR

PricewaterhouseCoopers LLP, London

BROKERS

Barclays
Numis Securities Limited

REGISTRARS

Equiniti Limited

REGISTERED OFFICE

One College Square South
Anchor Road
Bristol
BS1 5HL

REGISTERED NUMBER

02122142

WEBSITE

www.hl.co.uk

DIVIDEND CALENDAR

First dividend (interim)

Ex-dividend date*	13 February 2020
Record date**	14 February 2020
Payment date	9 March 2020

* 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.