Hargreaves Lansdown plc

Results for the year ended 30 June 2019

Highlights:

- Net new business of £7.3 billion
- Strong growth in Assets Under Administration, up 8% to £99.3 billion
- 1,224,000 active clients, an increase of 133,000 in the year
- Profit before tax increase of 5% to £305.8 million
- Total dividend up 5% at 42.0 pence per share

	Year to 30 June 2019	Year to 30 June 2018	**Change %**
Net new business inflows	**£7.3bn**	£7.6bn	**(4%)**
Total assets under administration	**£99.3bn**	£91.6bn	**+8%**
Revenue	**£480.5m**	£447.5m	**+7%**
Profit before tax	**£305.8m**	£292.4m	**+5%**
Diluted earnings per share	**52.0p**	49.6p	**+5%**
Ordinary dividend per share	**33.7p**	32.2p	**+5%**
Total dividend per share	**42.0p**	40.0p	**+5%**

Chris Hill, Chief Executive Officer, commented:

"We are pleased with the underlying strength and resilience of our business and our increase in market share. We continue to focus on our clients' evolving needs and where we see opportunities for growth. We now have a record 1,224,000 clients and Assets Under Administration (AUA) of £100 billion.

The second half of the financial year was particularly strong, supported by our best ever tax year end with clients continuing to use their ISA and SIPP allowances. Our Active Savings launched with a full tranche of term deposits and through considerable momentum, now has over £1bn AUA. Our HL Select Global Growth Shares fund now has over £350 million Assets Under Management and is our most successful Select fund launch to date.

I have apologised to all clients who have been impacted by the recent problems around the Woodford Equity Income Fund, because we all share their disappointment and frustration. In these difficult times we recognise the financial and personal impact the gating of the fund has had on them. Our priority is to support them, keep them informed and ensure that the fund reopens as soon as is practicable.

We recognise that there are industry headwinds, but we continue to execute our strategy and remain on track. We are confident that we are well placed to help our clients prosper, whilst continuing to deliver strong and sustainable returns for shareholders."

About us:

Hargreaves Lansdown is the UK's largest direct to investor investment service administering £99.3 billion of investments for over 1,224,000 clients. Our purpose is to empower people to save and invest with confidence. We aim to provide a lifelong, secure home for people's savings and investments that offers great value, an incredible service and makes their financial life easy.

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Analysts' presentation

Hargreaves Lansdown will be hosting an investor and analyst presentation at 09:00am on 8 August 2019 following the release of the results for the year ended 30 June 2019. To attend the presentation contact james.found@hl.co.uk. Slides accompanying the analyst presentation will be available this morning 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.

Alternative financial performance measures

Included in this announcement are various alternative performance measures used by the Company in the course of explaining the results for the year to 30 June 2019. These measures are listed along with the calculations to derive them and an explanation of why we use them on page 28 in the Glossary of Alternative Financial Performance Measures. A reconciliation to profit before tax is given in the Operating and Financial Review section.

Forward-looking statements

This document has been prepared to provide additional information to shareholders to assess the current position and future potential of the Hargreaves Lansdown Group ("the Group"). It should not be relied on by any other party for any other purpose. This document contains forward-looking statements that involve risks and uncertainties. The Group's actual results may differ materially from the results discussed in the forward-looking statements as a result of various economic factors or the business risks, some of which are set out in this document.

1 Source: Platforum UK D2C Market Update (July 2019)
4 Source: Compeer Limited XO Quarterly Benchmarking Report Quarter 1 2019

Chief Executive's Review

Continued execution of our strategy

2019 saw Hargreaves Lansdown continue to execute our strategy. We delivered strong growth, increased market share and maintained our focus on clients' evolving needs and the service we provide.

Net new business was £7.3 billion and we welcomed a further 133,000 net new clients. We now have a record 1,224,000 clients. I am also pleased to report that AUA exceeded £100 billion for the first time in July 2019. We take great pride in what we do and I am confident that we are well positioned for the future.

This growth came despite external challenges, including uncertainty over Brexit and the wider macro-economic outlook. Investor confidence was understandably volatile in the UK market overall and, by our own measures, it hit record lows in the second half of 2018 with the Investment Association reporting the worst quarter ever for net retail fund outflows in Q4 2018.

Our growth and the resilience of net new business reflects the execution of our strategy and our relentless focus on putting the client at the centre of all that we do. The second half of our financial year was particularly strong, driven by a number of ongoing diversification initiatives that broaden our accessible market and by improved marketing effectiveness. This contributed to our best ever tax year end as clients continued to use their ISA and SIPP allowances.

We continue to develop new and innovative products and services where there is client need. Our new Active Savings service has gained considerable momentum and made a significant contribution to growth. Its AUA went above £1 billion in early July. We launched the HL Select Global Growth Shares fund in May 2019, with £298 million placed ahead of the launch. We were also delighted to welcome new clients from Witan, JP Morgan and Baillie Gifford during the year, continuing our successful history as a provider of choice for organisations wishing to transfer direct books. These books contributed £1.2 billion.

Due to this growth and our diversification initiatives, we have continued to add market share. We have grown our share of the direct to consumer platform market to 40.5%[1] and increased our share of the execution only stockbroking market to 34.1%[2].

I would like to thank our clients for their continued loyalty and support. Our relationship with them is based on a desire to help them to save and invest with confidence and build for their long-term prosperity and our strong retention rate of 93.6% is a demonstration of our strong service performance.

The hard work of colleagues is behind all that has been achieved and I would also like to thank them for their dedication and resilience throughout the year.

Serving our clients

We have a significant opportunity in an evolving and growing market. Societal changes such as improving life expectancy, the transfer of long-term savings from companies to individuals, and a prolonged low interest rate environment offering minimal risk-free returns all require that individuals and families build their own wealth and capital. This is against a backdrop of ever-shifting regulatory and tax environments. In this complicated world, our clients need support more than ever.

Our business grows as we add clients then deepen our relationship with them. We aim to develop this throughout their financial lives as they save and invest to accumulate before moving into a decumulation phase in retirement. By providing the service and solutions that they need, when they need them, engaging with them at the right times and communicating in the ways they prefer, we optimise the value that we can bring to them.

We have worked hard this year on the areas that our clients tell us cause them inconvenience, such as transfers, where we have reacted by facilitating higher numbers of online transactions and a reduction in overall completion times. We have improved our Helpdesk service by responding to high volume call drivers, providing new training to managers and through deployment of technology tools. We have also maintained our marketing efforts through quieter periods of client activity. It is through uncertain times that clients seek knowledge, information and our insight more than ever.

Given all of the hard work and resource we put into service, I was delighted that Hargreaves Lansdown received top marks from Platforum in its November 2018 UK D2C Investor Experience report for customer service, as well as for our online and mobile propositions. We also won the Boring Money Best Customer Service award, sponsored by The Times and The Sunday Times. We have achieved records in our internal measures for client satisfaction with our Helpdesk and improved our performance in Operations, whilst at the same time improving efficiency.

At the heart of our business is an extensive and complex technology infrastructure. We ensure that the monitoring and maintenance of our systems is thorough and rigorous to ensure that client information is always safe and secure and our hardware, software and client portals enable a smooth and efficient experience. This year we have delivered a number of key projects that have improved our ability to handle electronic trading volumes and to make our back office systems and websites work faster. We also completed changes to the way our clients log into the platform, making the process simpler and safer. Throughout all of these changes, platform uptime has been maintained and we have made enhancements to capacity and responsiveness of core applications.

Investing for the future

A key part of maintaining a lifelong relationship with clients is to provide a home for their assets not only throughout their lifetime, but through the market cycle. To that end, we continue to invest in our proposition. Our research told us that clients wanted to manage their cash savings as well as their investments all in one place with simple switching and easy execution. We therefore "soft" launched our cash management service, Active Savings, in December 2017 and spent some time to get the proposition right, adding more banks and making sure that the rates on offer were the best they could be.

We launched with a full tranche of term deposits and a focus on growing AUA in September 2018. In order to achieve this and establish a leading presence in this market, we have reduced our revenue margins to make sure that the rates we can offer on the platform are competitive. We followed this up by introducing Easy Access in January 2019. We have been pleased with the growth that we've seen this year which has taken us to almost £1 billion of AUA as at 30 June 2019. Our rates continue to be among the best available to the 28,000 clients who have opened accounts and we are committed to maintaining top quartile rates.

Through the uncertainties of 2018, clients indicated a desire to invest in global funds and this continued into early 2019. We therefore launched the HL Select Global Growth Shares fund in May 2019.

This now has over £350 million of AUM, our most successful Select fund launch yet. It is a high conviction fund that will typically hold shares in 30-40 companies and is actively managed by our experienced team in Bristol. We are committed to transparency and engagement with fund holders, so for all our HL Select funds we publish every shareholding once dealt, as well as the complete portfolio breakdown and regular updates on performance.

As Hargreaves Lansdown grows, it is paramount that we invest so that we continue to provide the very best service to our clients and develop capabilities to maximise the significant long-term market opportunity. By continually developing our people, technology and marketing capabilities we believe we will nurture the trust, engagement and ease of doing business that is critical to our success.

The Wealth 50

Behavioural economics suggest that when people are presented with a wide or unfamiliar choice, for example about financial planning, this can result in them not making any decision at all. One tool that people can use when making investment decisions is 'best buy' lists. In their Investment Platforms Market Study, the FCA found that 'best buy' lists and/or model portfolios help investors pick independent well-performing funds.

We are committed to a favourite funds list as one of many tools which are important for our clients.

At Hargreaves Lansdown, we have had a favourite funds list since October 2003. This is now known as the Wealth 50 following its relaunch in January 2019. This was as a result of feedback from 6,500 current and potential investors who told us they wanted a shorter, more focused list with the ability to filter by objective, risk, yield and cost.

The process of selecting and reviewing the Wealth 50 constituents is a rigorous one driven by our 14 person investment research team. They devote thousands of working hours every year to conducting quantitative and qualitative analysis of fund managers and the funds. This process helps identify managers who have added value over the long-term through repeatable skill rather than market movements or thematic biases.

This research has resulted in the selection of funds which have on average outperformed both their relevant benchmark index and their sector average after charges, by 5.8% and 11.8% respectively over the period they have been on our favourite funds list.

It is important to note that Hargreaves Lansdown is paid directly by our clients, not by fund managers. Our fee income is calculated as a percentage of the clients' assets held on our platform, and we earn the same fee regardless of the funds our clients hold.

We use the combined buying power of our 1.2 million clients to get the lowest cost we can for each fund, as a lower price delivers better investment returns. These discounts are passed in full to our clients. In 2018, we saved our clients £61 million of fund management costs as a result of the terms we have negotiated on their behalf and the Wealth 50 relaunch has enabled us to deliver a further £7 million of discounts to clients.

Woodford Equity Income

The nature of active fund management portfolios means that there will be periods of outperformance and underperformance by all managers. There are a limited number of individuals who deliver outperformance over their peers and benchmarks over the long term, and investors who own these managers' portfolios benefit from these outcomes.

We have followed Neil Woodford's career from 1999, when he was at Invesco Perpetual, and supported the launch of his new venture in 2014. For the first two and a half years from launch, the Woodford Equity Income fund was among the top performers in the sector, but at the end of 2016 the fund started to underperform. We had seen the fund manager display similar periods of underperformance in 1999, but then bouncing back strongly to 2003 and again underperforming in 2009, rallying strongly to 2016.

We believed there was a reasonable expectation that the fund would do the same again. As a result, the research process concluded that the Woodford Equity Income Fund should be kept on our favourite funds list.

As I detailed in my submission to the Treasury Select Committee, we began an active dialogue with Woodford in November 2017 over the proportion of small and unquoted assets in the Woodford Equity Income fund.

During the course of 2018, redemptions from the fund began to increase. This meant the manager sold stocks where he had the least conviction to meet demands for investor cash. This in turn meant the unquoted portion of the portfolio was not reduced as quickly as we had desired.

On 3 June, the authorised corporate director, Link Asset Services, decided to suspend dealing in the Woodford Equity Income Fund. We responded quickly and decisively. We immediately removed the fund from the Wealth 50, communicated the suspension to clients and dealt with all calls and emails received since in a timely and orderly manner. We waived our platform administration fee on direct holdings in this fund and we believe that Woodford Investment Management should suspend collecting its fees whilst their investors cannot access their cash. This is the right thing for them to do.

Since these announcements, Hargreaves Lansdown's own business flows and service levels have held up well. We have actively engaged with external stakeholders, including Link, Woodford Investment Management, and the regulator as well as the financial press which followed the story closely, keeping them informed. Our priority remains to support our clients and pressing for the Woodford Equity Income Fund to reopen as soon as is practicable, whilst protecting the interests of all investors.

I am determined that we learn from events such as these. I have apologised to all clients who have been impacted by the recent problems because we all share their disappointment and frustration. In these difficult times we recognise the financial and personal impact the gating of the fund has had on them. Philip and I, together with the unanimous support of the Board, have therefore decided that we will not take a bonus award for 2019.

Our aim remains to provide the best possible service and choices to allow people to manage their investments simply and effectively. The shortcomings of one fund should not detract from the benefits of favourite fund lists like the Wealth 50. We are confident in the robustness of how we analyse, research and compile our favourite fund list with a focus on ensuring best value for clients. Nonetheless, we recognise that there will be learnings and improvements we can make from reviewing this event and we will ensure we apply these to benefit our clients in the future.

The regulatory environment

The FCA's final Investment Platforms Market Study report was published in March 2019. The FCA confirmed its view that the platform market is mainly working well. There is not excessive profitability, consumers who pay more get more and that platforms help consumers make informed investment decisions. There are no material barriers to entry in the market and whilst the cost of customer acquisition is a barrier to expansion, making transfers between platforms easier should be an appropriate solution.

We welcome the proposed remedies which are reflective of our own core value of putting the client first. The FCA cited the need to make transfers easier and Hargreaves Lansdown is already at the forefront of this, chairing the industry's STAR working group. We anticipate that the study's focus on switching will enable a faster and more straightforward process.

We also believe helping clients to compare and contrast platform services and fees and making it easier for them to switch between providers, will lead to healthier competition. This should promote greater engagement among clients across the entire industry. We look forward to working with the FCA on the outcomes from this study.

Conclusion and outlook

I am pleased with the performance and progress we have made throughout a very challenging 2019. We recognise that there are industry headwinds and that the environment continues to be difficult and we remain vigilant to these conditions. However, we are confident in the underlying strength of our business and that we are well placed to help our clients prosper whilst continuing to deliver strong and sustainable returns for shareholders.

Chris Hill

Chief Executive Officer
7 August 2019

1 Source: Platforum UK D2C Market Update (July 2019)
2 Source: Compeer Limited XO Quarterly Benchmarking Report Quarter 1 2019

Operating and Financial Review

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 another robust year for NNB and growth in AUA. We believe the Group's focus on client service is core to our success as a business and positions us well for the structural growth opportunity in the UK savings and investments market.

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

	Year ended 30 June 2019 £bn	Year ended 30 June 2018 £bn
Opening AUA	**91.6**	79.2
Underlying net new business	**7.3**	7.6
Market growth & other	**0.4**	5.9
Founder transfers[1]	**-**	(1.1)
Closing AUA	**99.3**	91.6

1. Underlying net new business excludes the transfer off the Vantage platform of £902 million of Hargreaves Lansdown plc shares and the withdrawal of £188 million of Hargreaves Lansdown plc placing proceeds that were held by a founder.

NNB for the year totalled £7.3 billion despite the backdrop of low investor confidence, record industry retail fund outflows for part of the year and the continued Brexit and political uncertainty. This was driven by increased client numbers and continued wealth consolidation onto our platform. We also benefited from new business from direct books totalling £1.2 billion. We remain in discussions with other fund groups but have no further deals to announce at present.

During the year to 30 June 2019 we introduced 133,000 net new clients to our services and grew our active client base a further 12% to 1,224,000. This increased population underpins future growth as clients add new money to their accounts, particularly through the use of annual tax free allowances in the SIPP and ISA products. Over a period of time, clients also typically consolidate their investments through transfers onto our platform. This growth was supported by our continued high retention rates.

Our focus on service and the value our clients place on our offering is evidenced by client and asset retention rates remaining strong at 93.6% and 93.1% respectively. Our increased focus on digital marketing has been key in winning new clients and engaging with existing ones, ensuring we become integral to their lives in terms of saving and investing for the future.

Total AUA increased by 8% to £99.3 billion as at 30 June 2019 (£91.6 billion as at 30 June 2018). This was driven by £7.3 billion of NNB and positive market movement which added a further £0.4 billion.

Financial performance

Income Statement

	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Revenue	**480.5**	447.5
Operating costs	**(179.4)**	(158.7)
Fair value gains on derivatives	**2.2**	2.3
Finance income	**2.8**	1.5
Finance costs	**(0.3)**	(0.2)
Profit before tax	**305.8**	292.4
Tax	**(58.2)**	(55.7)
Profit after tax	**247.6**	236.7

2019 profit before tax grew by 5% to £305.8 million. This was due to revenues increasing on the back of continued NNB-driven growth, despite challenging external conditions at various points during 2019 and costs growing in line with client numbers, as signalled last year.

Revenue

Total revenue for the year was £480.5 million, up 7% (2018: £447.5 million), driven by higher asset levels and improved margins on client cash. This more than offset a fall in stockbroking commissions from reduced client share dealing activity due to unsettled market conditions and a loss of investor confidence particularly around Brexit and political events. The proportion of recurring revenue has increased to 81% (2018: 77%) as the transactional stockbroking commissions have declined. In line with the wider industry our share dealing volumes fell, however, our market share of the UK execution only market continued to increase to 34.1%[1].

1 Source: Compeer Limited XO Quarterly Benchmarking Report Quarter 1 2019

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

	Year ended 30 June 2019			Year ended 30 June 2018		
	Revenue £m	**Average AUA £bn**	**Revenue margin bps**	Revenue £m	Average AUA £bn	Revenue margin bps
Funds[1]	**206.2**	**50.6[7]**	**41**	198.0	48.4[7]	41
Shares[2]	**86.2**	**31.4**	**27**	89.6	28.3	32
Cash[3]	**73.2**	**10.2**	**72**	42.1	8.8	48
HL Funds[4]	**68.3**	**9.2[7]**	**74**	67.2	9.1[7]	74
Other[5]	**46.6**	**0.5[6]**	**-**	50.6	-	-
Double-count[7]	**-**	**(9.1)[7]**	-	-	(9.1)[7]	-
Total	**480.5**	**92.8[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, FundsLibrary revenues, Active Savings and ancillary services (e.g. annuity broking, distribution of VCTs and Hargreaves Lansdown 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 4% to £206.2 million (2018: £198.0m) due to AUA growth primarily from net new business. Funds remain our largest client asset class at 55% of average AUA (2018: 56%), and the revenue margin earned on these this year was 41bps (2018: 41bps). Revenue margins on Funds have been broadly stable following the completion of RDR and we continue to expect them to remain at similar levels over the next 12 months. However, this guidance may be slightly impacted, depending on how long the current suspension on dealing in the Woodford Equity Income Fund lasts. The suspension commenced in June 2019 and we took the decision to waive our platform fee where clients directly held this fund. The loss of revenue is estimated at £360,000 per month and Link Asset Services, the fund's Authorised Corporate Director, has confirmed that trading will likely be suspended until early December. Funds AUA at the end of 2019 was £53.8 billion (2018: £51.0bn).

Revenue on Shares decreased by 4% to £86.2 million (2018: £89.6m) and the revenue margin was 27bps (2018: 32bps), within our expected range of 27bps to 33 bps. The impact of lower client driven equity dealing volumes, down 5% on the prior year, has only been partly offset by a growth in management fees. Management fees for shares charged in the SIPP and Stocks and Share ISA accounts are capped once holdings are above £44,444 in a SIPP and £10,000 in an ISA. This causes some dilution to the margin over time as clients grow their portfolio of shares. Shares account for 34% of the average AUA (2018: 34%). We expect the margin on Shares to be centred around 29bps over the next 12 months, with a range around this depending on actual dealing volume levels. Shares AUA at the end of 2019 was £33.7 billion (2018: £31.0bn).

Revenue on Cash increased by 74% to £73.2 million (2018: £42.1m) as a result of increased cash levels combined with an increase in the interest margin to 72bps (2018: 48bps). This was slightly ahead of our communicated expectations at the Interim results announced in January 2019, that margins would be within a 60bps to 70bps range. This was due to the yield curve anticipating further interest rate rises that have so far not materialised. Cash accounts for 11% of the average AUA (2018: 10%). At the start of the year the Bank of England base rate was 0.50% before being increased to 0.75% in August 2018. With the majority of clients' SIPP money placed on rolling 13 month term deposits, and non-SIPP money on terms of up to 95 days, the full impact of the rate rise takes over a year to flow through. We anticipate the cash interest margin for the 2020 financial year will be in the range of 70bps to 80bps, although given the yield curve has fallen back recently we expect margins in the first half of the year to be higher than the second half as higher rate deposits roll off and are replaced at a lower rate. Cash AUA at the end of 2019 was £10.7 billion (2018: £9.6bn).

HL Funds consist of 10 Multi-Manager funds, on which the management fee is 75bps per annum, and three Select equity funds, the most recent of which launched in May 2019, where the management fee is 60bps. Revenue from these funds has grown by 2% this year to £68.3 million (2018: £67.2m) thanks to a slightly higher average value of the funds across the year. 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 (2018: 74bps). Recent growth in the HL Multi-Manager funds has been subdued and we expect this to remain a feature of 2020 flows, especially given a number of these funds have holdings in the Woodford Equity Income Fund. Note that the platform fees on these assets are included in the Funds line and hence total average AUA of £92.8 billion (2018: £85.5bn) excludes HL Funds AUM to avoid double-counting. HL Funds AUM at the end of 2019 was £9.4 billion (2018: £9.6bn).

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 has been and continues to be 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 new clients and assets into the service that we need to capitalise on the opportunity. As at 30 June 2019, the AUA was £986 million. The associated revenue is included in the category of "Other" such that the total revenue reconciles back to the income statement.

Other revenues are made up of advisory fees, our Funds Library 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 largely transactional and declined by 8%. Early in the year we stopped taking box profits on the buying and selling of units of our own funds leading to a reduction in revenue of £1.3 million. In addition, following the implementation of IFRS 15 (Revenue from Contracts with Customers), cash incentives given to clients that were previously shown as marketing costs are now considered to be a reduction in revenue and the charge was £1.1 million in the year.

	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Recurring revenue	**387.3**	344.9
Transactional revenue	**84.3**	94.0
Other income	**8.9**	8.6
Total revenue	**480.5**	447.5

The Group's revenues are largely recurring in nature, as shown in the table above, with the proportion of recurring revenues increasing to 81% (2018: 77%). Recurring revenue is primarily comprised of platform fees, Hargreaves Lansdown fund management fees, interest on client money, equity holding charges and ongoing advisory fees. It grew by 12% to £387.3 million (2018: £344.9m) due to increased average AUA from continued net new business and higher interest rates earned on client money. 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 10% to £84.3 million (2018: £94.0m) with a 5% decrease in client driven equity deal volumes being the key driver. The removal of box profits and the implementation of IFRS 15 were also factors in the revenue reduction.

Other revenue is derived from the provision of funds data services and research to external parties through Funds Library. This was up 3% from £8.6 million to £8.9 million, driven by new MiFID II services and some targeted price increases which more than offset some lost contracts.

Operating costs

	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Staff costs	**97.2**	87.4
Marketing and distribution costs	**12.7**	16.3
Depreciation, amortisation and financial costs	**12.4**	10.3
Other costs	**50.3**	41.2
	172.6	155.2
Total FSCS levy	**6.8**	3.5
Total operating costs	**179.4**	158.7

Operating costs increased by 13% to £179.4 million (2018: £158.7m) to support higher client activity levels, maintain client service and invest in the significant growth opportunities we see ahead for Hargreaves Lansdown.

As highlighted previously, we consciously and significantly increased our investment in people, digital marketing and technology during the 2017 and 2018 financial years as we believe the Group's focus on client service is core to our success and necessary to capture the structural growth opportunity in the UK savings and investments market. This investment 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 the period. Having gone through this period of investment catch up the growth rate in costs, excluding the FSCS levy, has slowed to 11% for the year with cost growth of just 5% in the second half of the year versus the equivalent period in 2018. Looking forward we would anticipate that costs will grow more in line with the growth of client numbers.

Staff costs remain our largest expense and rose by 11% to £97.2 million (2018: £87.4m). Average staff numbers increased by 13% from 1,398 in 2018 to 1,574 in 2019 with the key increases being in Technology, on the Helpdesk and in Operations, in line with higher client activity levels, and Marketing. 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 22% to £12.7 million (2018: £16.3m). 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, £2.0 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 year to 30 June 2019, £1.1 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. We have worked hard at gaining a deeper understanding of our client segmentation and have invested in our use of data analytics and the addition of specialist content writers. Although there is much more to do, we are already seeing improved effectiveness on our marketing spend as more tailored content is now delivering better conversion rates on marketing campaigns. 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 £2.1 million to £12.4 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 was £17.1 million this year (2018: £16.1m). This expenditure was from cyclical replacement of IT hardware, the continuing project to enhance the capacity and capability of our key administration systems and the ongoing development of the Active Savings platform.

Other costs rose by £9.1 million to £50.3 million (2018: £41.2m). The key drivers of this were increased computer maintenance and office costs driven by higher employee numbers and additional office space, increased professional fees and irrecoverable VAT on non-staff expenses.

The Financial Services Compensation Scheme (FSCS) levy rebased upwards by £3.3 million or 94% to £6.8 million. This was caused by a combination of a restructure of the fee blocks leading to pension and product providers like us bearing a higher proportion of the amounts being raised and our fee growth being above the wider market. 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.

Profit before tax

	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Operating profit	**303.3**	291.1
Finance income	**2.8**	1.5
Finance costs	**(0.3)**	(0.2)
Profit before tax	**305.8**	292.4
Tax	**(58.2)**	(55.7)
Profit after tax	**247.6**	236.7

The Group has grown profit before tax by 5% to £305.8 million (2018: £292.4m) and profits after tax also grew by 5% to £247.6 million as the headline statutory corporation tax rate remained unchanged at 19.0%.

Tax

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

Earnings per share

	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Profit after tax	**247.6**	236.7
Diluted share capital (million)	**475.8**	475.4
Diluted EPS (pence per share)	**52.0**	49.6

Diluted EPS increased by 5% from 49.6 pence to 52.0 pence, reflecting the Group's growth in profit after tax. The Group's Basic EPS was 52.1 pence compared with 49.7 pence in 2018.

Liquidity and capital 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 30 June 2019 was £394.0 million (2018: £343.5m) as cash generated through trading offset the payments of the 2018 final dividend and the 2019 interim dividend. This includes cash on longer-term deposit and is before funding the 2019 final dividend of £110.9 million and special dividend of £39.3 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.

The healthy net cash position provides both a source of competitive advantage and support to our client offering. It provides security to our clients, giving them confidence to manage their money through us over many years, and allows us to provide them with an excellent service, for example through using surplus liquidity to allow same day switching between products that have mismatched settlement dates.

Capital

	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Shareholder funds	**458**	404
Less: goodwill, intangibles and other deductions	**(24)**	(24)
Tangible capital	**434**	380
Less: provision for dividend	**(150)**	(142)
Qualifying regulatory capital	**284**	238
Less: estimated capital requirement	**(186)**	(159)
Estimated surplus	**98**	79

Total attributable shareholders' equity, as at 30 June 2019, made up of share capital, share premium, retained earnings and other reserves increased to £457.8 million (2018: £404.0m) as continued profitability more than offset payment of the 2018 final and special dividends and the 2019 interim dividend. Having made appropriate deductions as shown in the table above, surplus capital amounts to £98 million.

The Group has three subsidiary companies authorised and regulated by the 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 at www.hl.co.uk.

Dividend policy and 2019 declarations

Hargreaves Lansdown has a progressive ordinary dividend policy. The Board considers the dividend on a total basis, with the intention of maintaining the ordinary dividend 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.

Dividend (pence per share)

	2019	2018
Interim dividend paid	**10.3p**	10.1p
Final dividend declared	**23.4p**	22.1p
Total ordinary dividend	**33.7p**	32.2p
Special dividend	**8.3p**	7.8p
Total dividend	**42.0p**	40.0p

Reflecting this policy, the Board has declared a 2019 total ordinary dividend of 33.7 pence per share (2018: 32.2p), 5% ahead of last year. This is in line with EPS growth and maintains the ordinary dividend payout ratio at 65%. In addition, the Board has declared a special dividend of 8.3 pence per share (2018: 7.8p). The 2019 total dividend of 42.0 pence per share (2018: 40.0p) is up 5% and results in a total dividend payout ratio of 80.6% (2018: 80.6%). Subject to shareholder approval of the final dividend at the 2019 AGM, the final and special dividends will be paid on 18 October 2019 to all shareholders on the register at the close of business on 27 September 2019.

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. The Board remains committed to paying special dividends in future years should sufficient excess cash and capital exist after taking account of market conditions and the Group's growth, investment and regulatory capital requirements at the time.

Assessment Process Viability Statement

In accordance with provision C.2.2 of the UK Corporate Governance Code, the Directors have assessed the viability of the Group over the three year period to June 2022 and confirm that they have a reasonable expectation that the Group will continue to operate and meet its liabilities up to this date. The Directors' assessment has been made with reference to the Group's current position and strategy, the Board's risk appetite, the Group's financial forecasts and the Group's principal risks and uncertainties, as detailed in the Strategic report.

The Board considers that a time horizon of three years is an appropriate period over which to assess its viability and prospects, and to plan the execution of its strategy. This assessment period is consistent with the Group's current strategic forecast and ICAAP and it also matches the timescale over which most changes to major regulations and the external landscape that affect our business typically take place.

The strategic forecast is approved annually by the Board and regularly updated as appropriate. It considers the Group's profitability, cash flows, dividend payments, capital requirements and other key variables such as exposure to principal risks. It is also subjected to stress tests and scenario analysis, such as fluctuations in markets, increased competition and disruption to business, to ensure the business has sufficient flexibility to withstand these impacts by making adjustments to its plans within the normal course of business.

Philip Johnson
Chief Financial Officer
7 August 2019

SECTION 1: RESULTS FOR THE YEAR

Consolidated Income Statement for the year ended 30 June 2019

	Note	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Revenue		**480.5**	447.5
Fair value gains on derivatives		**2.2**	2.3
Operating costs	1.3	**(179.4)**	(158.7)
Operating profit		**303.3**	291.1
Finance income	1.5	**2.8**	1.5
Finance costs		**(0.3)**	(0.2)
Profit before tax		**305.8**	292.4
Tax	1.7	**(58.2)**	(55.7)
Profit for the financial year		**247.6**	236.7
Attributable to:			
Owners of the parent		**247.4**	236.3
Non-controlling interest		**0.2**	0.4
		247.6	236.7
Earnings per share			
Basic earnings per share (pence)	1.8	**52.1**	49.7
Diluted earnings per share (pence)	1.8	**52.0**	49.6

The results relate entirely to continuing operations.

Consolidated Statement of Comprehensive Income for the year ended 30 June 2019

	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Profit for the financial year	**247.6**	236.7
Total comprehensive income for the financial year	**247.6**	236.7
Attributable to:		
Owners of the parent	**247.4**	236.3
Non-controlling interest	**0.2**	0.4
	247.6	236.7

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.

	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Revenue:		
Recurring revenue	**387.3**	344.9
Transactional revenue	**84.3**	94.0
Other revenue	**8.9**	8.6
Revenue	**480.5**	447.5

1.2 Segmental reporting

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.

The Group operates in more than one geographic location, having opened an office in Warsaw, Poland, within the year. The activities of this office are not material to the group, with the purpose of the office being to provide support to the IT and development teams, based in the UK. Given that all revenue is within the group the impact on the P&L is £nil (2018: £nil). As such no information of the separate geographic elements is presented.

1.3 Operating costs

Operating profit has been arrived at after charging:	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Depreciation of owned plant and equipment	**5.4**	4.4
Amortisation of other intangible assets	**4.6**	3.4
Marketing and distribution costs	**12.7**	16.3
Operating lease rentals payable – property	**3.4**	2.9
Office running costs – excluding operating lease rentals payable	**3.4**	3.3
FSCS costs	**6.8**	3.5
Other operating costs	**45.9**	37.5
Staff costs	**97.2**	87.4
Operating costs	**179.4**	158.7

1.4 Staff costs

The average monthly number of employees of the Group (including executive Directors) was:	Year ended 30 June 2019 No.	Year ended 30 June 2018 No.
Operating and support functions	**1,163**	1,006
Administrative functions	**411**	392
	1,574	1,398
Their aggregate remuneration comprised:	**£m**	£m
Wages and salaries	**79.8**	71.2
Social security costs	**8.5**	7.8
Share-based payment expenses	**3.8**	3.6
Other pension costs	**9.7**	8.1
Staff costs	**101.8**	90.7
Capitalised in the year	**(4.6)**	(3.3)
Staff costs as a deduction to operating profit	**97.2**	87.4

1.5 Finance income

	Year ended 30 June 2019	Year ended 30 June 2018
	£m	£m
Interest on bank deposits	**2.8**	1.5
	2.8	1.5

1.6 Finance costs

	Year ended 30 June 2019	Year ended 30 June 2018
	£m	£m
Commitment fees	**0.3**	0.2
	0.3	0.2

1.7 Tax

	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Current tax: on profits for the year	**58.4**	56.0
Current tax: adjustments in respect of prior years	**0.1**	0.2
Deferred tax (note 2.4)	**(0.2)**	(0.4)
Deferred tax: adjustments in respect of prior years (note 2.4)	**(0.1)**	(0.1)
Deferred tax: adjustments due to changes in tax rates	**-**	-
	58.2	55.7

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

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

	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Deferred tax relating to share-based payments	**0.6**	(1.6)
Current tax relating to share-based payments	**(1.0)**	(1.1)
	(0.4)	(2.7)

Factors affecting tax charge for the year

It is expected that the ongoing effective tax rate will remain at a rate approximating to the standard UK corporation tax rate in the medium term except for the impact of deferred tax arising from the timing of exercising of share options which is not under our control. The standard UK corporation tax rate was reduced to 19% (from 20%) on 1 April 2019 and accordingly the Group's profits for this accounting year are taxed at an effective rate of 19%. Deferred tax has been recognised at 19% or 17%, being the rates expected to be in force at the time of the reversal of the temporary difference. A deferred tax asset in respect of future share option deductions has been recognised based on the Company's share price as at 30 June 2019.

Factors affecting future tax charge

Any increase or decrease to the Parent Company's share price will impact the amount of tax deduction available in future years on the value of shares acquired by staff under share incentive schemes. The Finance Act 2015 was enacted on 18 November 2015 and has reduced the standard rate of UK corporation tax to 19% from 1 April 2017 and to 18% from 1 April 2020. A planned reduction in the rate to 17% from 2020, was enacted on 1 April 2018.

The charge for the year can be reconciled to the profit per the income statement as follows:

	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Profit before tax	**305.8**	292.4
Tax at the standard UK corporate tax rate of 19.75% (2018: 20.00%)	**58.1**	55.6
Non-taxable income	**(0.1)**	(0.2)
Items not allowable for tax	**-**	0.1
Adjustments in respect of prior years	**-**	0.2
Impact of the change in tax rate	**0.2**	-
Tax expense for the year	**58.2**	55.7
Effective tax rate	**19.0%**	19.0%

1.8 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 year, including ordinary shares held in the Hargreaves Lansdown Employee Benefit Trust (EBT) reserve that have vested unconditionally with employees.

Diluted earnings per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume 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 at 30 June 2019 (2018: nil).

	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Earnings		
Earnings for the purposes of basic and diluted EPS - net profit attributable to equity holders of the parent company	**247.4**	236.3
Number of shares		
Weighted average number of ordinary shares	**474,318,625**	474,318,625
Weighted average number of shares held by HL EBT	**(125,270)**	(328,053)
Weighted average number of shares held by HL EBT that have vested unconditionally with employees	**382,065**	439,127
Weighted average number of ordinary shares for the purposes of basic EPS	**474,575,420**	474,429,699
Weighted average number of dilutive share options held by HL EBT that have not vested unconditionally with employees	**1,189,428**	984,793
Weighted average number of ordinary shares for the purposes of diluted EPS	**475,764,848**	475,414,492
Earnings per share	**Pence**	Pence
Basic EPS	**52.1**	49.7
Diluted EPS	**52.0**	49.6

SECTION 2: ASSETS & LIABILITIES

Consolidated Statement of Financial Position as at 30 June 2019

	Note	At 30 June 2019 £m	At 30 June 2018 £m
ASSETS			
Non-current assets			
Goodwill		**1.3**	1.3
Other intangible assets		**23.0**	18.1
Property, plant and equipment		**16.0**	13.8
Deferred tax assets	2.4	**3.8**	4.1
		44.1	37.3
Current assets			
Investments	2.1	**1.1**	1.5
Trade and other receivables	2.2	**748.6**	627.2
Cash and cash equivalents	2.3	**179.3**	125.3
Derivative financial instruments		**0.1**	0.2
		929.1	754.2
Total assets		**973.2**	791.5
LIABILITIES			
Current liabilities			
Trade and other payables	2.5	**485.7**	364.7
Derivative financial instruments		**-**	0.1
Current tax liabilities		**27.5**	20.8
		513.2	385.6
Net current assets		**415.9**	368.6
Non-current liabilities			
Provisions		**0.7**	0.7
Total liabilities		**513.9**	386.3
Net assets		**459.3**	405.2
EQUITY			
Share capital		**1.9**	1.9
Shares held by EBT reserve		**(3.4)**	(3.5)
EBT reserve		**1.5**	6.2
Retained earnings		**457.9**	399.4
Total equity, attributable to the owners of the parent		**457.9**	404.0
Non-controlling interest		**1.4**	1.2
Total equity		**459.3**	405.2

2.1 Investments

	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
At beginning of year	**1.5**	4.1
Purchases	**-**	-
Disposals	**(0.4)**	(2.6)
At end of year	**1.1**	1.5
Comprising:		
Current asset investment - UK listed securities valued at quoted market price	**1.1**	1.5

£1.1 million (2018: £1.5 million) of investments are classified as held at fair value through profit and loss, being deal-related short-term investments.

2.2 Trade and other receivables

	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Financial assets		
Trade receivables	**461.4**	348.5
Term Deposits	**215.0**	222.0
Other receivables	**4.5**	4.2
	680.9	574.7
Non-financial assets		
Accrued income	**59.1**	45.8
Prepayments	**8.6**	6.7
	748.6	627.2

In accordance with market practice, certain balances with clients, Stock Exchange member firms and other counterparties totalling £429.3 million (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 £524.8 million (2018: £417.3 million) and the gross amount offset in the statement of financial position with trade payables is £95.5 million (2018: £90.2 million). Other than counterparty balances, trade receivables primarily consist of fees and amounts owed by clients and renewal commission owed by fund management groups. 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.

2.3 Cash and cash equivalents

	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Cash and cash equivalents		
Group cash and cash equivalent balances	**179.0**	121.5
Restricted cash – balances held by EBT	**0.3**	3.8
	179.3	125.3

At 30 June 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 £5,398 million (2018: £9,645 million). In addition there were currency service cash accounts held on behalf of clients not governed by the client money rules of £28.7 million (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 statement of financial position of the Group.
Restricted cash balances relate to the balances held within the HL Employee Benefit Trust. These are strictly held for the purpose of purchasing shares to satisfy options under the Group's share option schemes.

2.4 Deferred tax assets

Deferred tax assets arise because of temporary timing differences only. The following are the major deferred tax assets recognised and movements thereon during the current and prior reporting years. Deferred tax has been recognised at 19% or 17%, being the rate expected to be in force at the time of the reversal of the temporary difference.

	Fixed assets tax relief	Share-based payments	Other deductible temporary differences	Total
	£m	£m	£m	£m
At 1 July 2017	(0.1)	1.8	0.3	**2.0**
Charge to income	0.2	0.4	(0.1)	**0.5**
Charge to equity	-	1.6	-	**1.6**
At 30 June 2018	0.1	3.8	0.2	**4.1**
Charge to income	0.2	0.1	-	**0.3**
Charge to equity	-	(0.6)	-	**(0.6)**
At 30 June 2019	0.3	3.3	0.2	**3.8**
Deferred tax expected to be recovered or settled:				
Within 1 year after reporting date	0.1	0.4	0.1	**0.6**
> 1 year after reporting date	0.2	2.9	0.1	**3.2**
	0.3	3.3	0.2	**3.8**

2.5 Trade and other payables

	Year ended 30 June 2019	Year ended 30 June 2018
	£m	£m
Financial liabilities		
Trade payables	**433.9**	**327.4**
Social security and other taxes	**7.3**	**8.7**
Other payables	**19.6**	**14.1**
	460.8	**350.2**
Non-financial liabilities		
Accruals	**23.8**	**13.6**
Deferred income	**1.1**	**0.9**
	485.7	**364.7**

In accordance with market practice, certain balances with clients, Stock Exchange member firms and other counterparties totalling £425.6 million (2018: £324.6 million) are included in trade payables, similarly with the treatment of trade receivables. As stated in Note 2.2 above, 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 staff as a bonus and rebates due to the regulated funds operated by the Group. Accruals and deferred income principally comprise amounts outstanding for trade purchases and revenue received but not yet earned on corporate pension schemes, where an ongoing service is still being provided.

SECTION 3: EQUITY

Consolidated Statement of Changes in Equity for the year ended 30 June 2019

	Attributable to the owners of the Parent						
	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	-	-	-	236.3	**236.3**	0.4	**236.7**
Employee Benefit Trust							
Shares sold in the year	-	12.1	-	-	**12.1**	-	**12.1**
Shares acquired in the year	-	(8.6)	-	-	**(8.6)**	-	**(8.6)**
EBT share sale	-	-	(4.4)	-	**(4.4)**	-	**(4.4)**
Reserve transfer on exercise of share options	-	-	2.7	(2.7)	**-**	-	**-**
Employee share option scheme							
Share-based payments expense	-	-	-	3.5	**3.5**	-	**3.5**
Current tax effect of share-based payments	-	-	-	1.1	**1.1**	-	**1.1**
Deferred tax effect of share-based payments	-	-	-	1.6	**1.6**	-	**1.6**
Dividend paid (Note 3.2)	-	-	-	(144.5)	**(144.5)**	-	**(144.5)**
At 30 June 2018	1.9	(3.5)	6.2	399.4	**404.0**	1.2	**405.2**
Total comprehensive income	-	-	-	247.4	**247.4**	0.2	**247.6**
Employee Benefit Trust							
Shares sold in the year	-	15.1	-	-	**15.1**	-	**15.1**
Shares acquired in the year	-	(15.0)	-	-	**(15.0)**	-	**(15.0)**
EBT share sale	-	-	(7.4)	-	**(7.4)**	-	**(7.4)**
Reserve transfer on exercise of share options	-	-	2.6	(2.6)	**-**	-	**-**
Employee share option scheme							
Share-based payments expense	-	-	-	3.8	**3.8**	-	**3.8**
Current tax effect of share-based payments	-	-	-	1.0	**1.0**	-	**1.0**
Deferred tax effect of share-based payments	-	-	-	(0.6)	**(0.6)**	-	**(0.6)**
Dividend paid (Note 3.2)	-	-	-	(190.5)	**(190.5)**	-	**(190.5)**
At 30 June 2019	1.9	(3.4)	1.5	457.9	**457.9**	1.4	**459.3**

3.1 Share capital

	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Authorised: 525,000,000 (2018: 525,000,000) ordinary shares of 0.4p each	**2.1**	2.1
Issued and fully paid: ordinary shares of 0.4p each	**1.9**	1.9
	Shares	Shares
Issued and fully paid: number of ordinary shares of 0.4p each	**474,318,625**	474,318,625

The Company has one class of ordinary shares which carry no right to fixed income.
The Shares held by 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 Library Information Services Limited and a 7.5% shareholding in Hargreaves Lansdown Savings Limited, which are both subsidiaries of the Company.

3.2 Dividends

Amounts recognised as distributions to equity holders in the year:

	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
2018 final dividend of 22.1p (second interim dividend 2017: 20.4p) per share	**104.7**	96.7
2018 special dividend of 7.8p (2017: nil) per share	**37.0**	-
2019 interim dividend of 10.3p (2018: 10.1p) per share	**48.8**	47.8
Total dividends paid during the year	**190.5**	144.5

After the end of the reporting period, the Directors declared a final ordinary dividend of 23.4 pence per share and a special dividend of 8.3 pence per share payable on 18 October 2019 to shareholders on the register on 27 September 2019. Dividends are required to be recognised in the financial statements when paid, and accordingly the declared dividend amounts are not recognised in these financial statements, but will be included in the 2020 financial statements as follows:

	£m
2019 final dividend of 23.4p (2018 final dividend: 22.1p) per share	**110.9**
2019 special dividend of 8.3p (2018 special dividend: 7.8p) per share	**39.3**
Total dividend	**150.2**

The payment of these dividends will not have any tax consequences for the Group.

Under an arrangement dated 30 June 1997 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.

	Year ended 30 June 2019 No. of shares	Year ended 30 June 2018 No. of shares
Number of shares held by the Hargreaves Lansdown EBT	**387,684**	413,604
Representing % of called-up share capital	**0.08%**	0.09%

SECTION 4: CONSOLIDATED STATEMENT OF CASH FLOWS

Consolidated Statement of Cash Flows for the year ended 30 June 2019

	Note	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Net cash from operating activities			
Profit for the year after tax		247.6	236.7
Adjustments for:			
Income tax expense		58.2	55.7
Depreciation of plant and equipment		5.4	4.4
Amortisation of intangible assets		4.6	3.4
Share-based payment expense		3.9	3.6
Increase in provisions		-	0.1
Operating cash flows before movements in working capital		319.7	303.9
Increase / (decrease) in receivables		(128.4)	43.7
(Decrease) / increase in payables		121.0	(46.9)
Cash generated from operations		312.3	300.7
Income tax paid		(50.8)	(55.9)
Net cash generated from operating activities		261.5	244.8
Investing activities			
(Increase) / decrease in short-term deposits		7.0	(42.0)
Proceeds on disposal of investment		0.4	2.6
Purchase of property, plant and equipment		(7.6)	(6.5)
Purchase of intangible assets		(9.5)	(9.6)
Net cash used in investing activities		(9.7)	(55.5)
Financing activities			
Purchase of own shares in EBT		(15.0)	(8.6)
Proceeds on sale of own shares in EBT		7.7	7.7
Dividends paid to owners of the parent		(190.5)	(144.5)
Net cash used in financing activities		(197.8)	(145.4)
Net increase / (decrease) in cash and cash equivalents		54.0	43.9
Cash and cash equivalents at beginning of year	2.3	125.3	81.4
Cash and cash equivalents at end of year	2.3	179.3	125.3

Section 5: OTHER NOTES

5.1 General information

Hargreaves Lansdown plc (the Company and ultimate parent of the Group) is a company incorporated and domiciled in the United Kingdom under the Companies Act 2006 whose shares are publicly traded on the London Stock Exchange. The address of the registered office is One College Square South, Anchor Road, Bristol, BS1 5HL, United Kingdom. The nature of the Group's operations and its principal activities are set out in the Operating and Financial Review.

These financial statements are presented in millions of pounds sterling (£m) which is the currency of the primary economic environment in which the Group operates.

Basis of preparation

The consolidated financial statements of Hargreaves Lansdown plc have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretation Committee (IFRS IC) interpretations as adopted by the European Union (EU), and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

Going concern

The Group maintains ongoing forecasts that indicate continued profitability in the 2019 financial year. Stress test scenarios are undertaken, the outcomes of which show that the Group has adequate capital resources for the foreseeable future even in adverse economic conditions. The Group's business is highly cash generative with a low working capital requirement; indeed, the forecast cash flows show that the Group will remain highly liquid in the forthcoming financial year. The Directors therefore believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook. After making enquiries, the Directors' expectation is that the Group will have adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of the Group Financial statements. Accordingly, they continue to adopt the going concern basis in preparing this preliminary results statement.

5.2 Related Party Transactions

The Company has a related party relationship with its subsidiaries, and with its Directors and members of the Executive Committee (the "key management personnel"). Transactions between the Company and its key management personnel are disclosed below. Details of transactions between the Company and other related parties are also disclosed below.

Trading transactions
The Company entered into the following transactions with Directors within the Hargreaves Lansdown Group and related parties who are not members of the Group:

During the years ended 30 June 2019 and 30 June 2018, the Company has been party to a lease with P K Hargreaves, a significant shareholder and former director, for rental of the old head office premises at Kendal House. A ten-year lease was signed on 6 April 2011 for a rental of part of the building, to be used for disaster recovery purposes at a market rate rent of £0.1 million per annum. No amount was outstanding at either year end.

During the years ended 30 June 2019 and 30 June 2018, the Group has provided a range of investment services in the normal course of business to shareholders on normal third-party business terms. Directors and staff are eligible for a slight discount on some of the services provided.

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

	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Short-term employee benefits	**5.9**	9.0
Post-employment benefits	**0.1**	0.2
Share-based payments	**2.3**	1.7
	8.3	10.9

In addition to the amounts above, eight key management personnel (2018: eight) received gains of £1.6 million (2018: £1.9 million) as a result of exercising share options. During the year, awards were made under the executive option schemes for 10 key management personnel (2018: 10).

Included within the previous table are the following amounts paid to Directors of the Company who served during the relevant year. Full details of Directors' remuneration, including numbers of shares exercised, are shown in the Directors' remuneration report.

	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Short-term employee benefits	**1.4**	4.0
Share-based payments	**0.9**	0.5
	2.3	4.5

In addition to the amounts above, Directors of the Company received gains of £0.2 million relating to the exercise of share options (2018: £0.2 million).

	Year ended 30 June 2019 £m	Year ended 30 June 2018 £m
Emoluments of the highest paid Director	**0.6**[1]	2.4[1]
	No.	No.
Number of Directors who exercised share options during the year	**1**	1
Number of Directors who were members of money purchase pension schemes	**1**	1

1 The highest paid Director was the Chief Executive Officer and full details of his emoluments can be found in the audited 'Remuneration payable' table in the Directors' remuneration report.

Any amounts outstanding with related parties are unsecured and will be settled in cash. No guarantees have been given or received in respect of amounts outstanding. No provisions have been made for doubtful debts in respect of the amounts owed by the related parties.

Section 6: STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of the profit or loss of the group and parent company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the Group financial statements and IFRSs as adopted by the European Union have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and parent company will continue in business.

The Directors are also responsible for safeguarding the assets of the Group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the group and parent company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

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

Directors' confirmations

The Directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and parent company's position and performance, business model and strategy.

Each of the Directors, whose names and functions are listed below confirm that, to the best of their knowledge:

- the parent company financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the company;
- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Directors' Report includes a fair review of the development and performance of the business and the position of the group and parent company, together with a description of the principal risks and uncertainties that it faces.

By order of the Board

Philip Johnson
Chief Financial Officer
7 August 2019

Executive Directors

Chris Hill
Philip Johnson

Non-Executive Directors

Deanna Oppenheimer
Fiona Clutterbuck
Shirley Garrood
Daniel Olley
Roger Perkin
Stephen Robertson
Jayne Styles

Section 7: PRINCIPAL RISKS AND UNCERTAINTIES

Managing the risks to Hargreaves Lansdown is fundamental to delivering the incredible levels of service our clients expect and generating returns for shareholders. The Board has performed a robust assessment of the principal risks facing the Group through a process of continual review, including those that would threaten its business model, future performance, solvency and liquidity. In making such an assessment the Board considers the likelihood of each risk materialising in the short and longer term.

The principal risks and uncertainties faced by the Group are detailed below, along with actions taken to mitigate and manage them. The principal risks are categorised into strategic risks, operational risks and financial risks as per our risk framework.

Strategic risks

Propositions and services				
Risk	**Potential impact**	**Mitigations**	**Key risk indicators**	**2018/19 activity**
Risk that HL does not provide the proposition and services required to achieve HL's strategy and purpose.	• Erosion of shareholder value • Negative impact on achievement of AUA and client number strategic targets • Negative impact on our reputation as an innovative market leader	• The Executive team and Board discuss strategy in the context of propositional design and service enhancement on a regular basis • Dedicated proposition/client experience team • Client testing workshops • Product governance process • An operational plan is in place prioritising development	• NNB v forecast • Net Promoter Score • Client Retention • Service rating • Complaints • Risk Events	• Launched Segregated Mandate • capability in HL Fund Managers • Development of Active Savings proposition • Launch of Global Equity Fund • Launch of Wealth 50

Technology				
Risk	**Potential impact**	**Mitigations**	**Key risk indicators**	**2018/19 activity**
Risk that HL fails to effectively manage and maintain existing technological architecture, environments or components.	• Inability to maintain operational • efficiency • Increased costs • Poor client outcomes • Reputational damage	• IT Architecture Plan • Rolling internal and external monitoring of IT environment • Operational Plan, including prioritisation of IT development • Integration of the development capacity from HL Tech in Poland	• System availability • Status of critical projects • Core system monitoring • System patching status	• Continued development and evolution of our core architecture • Platform security improvements

Reputational				
Risk	**Potential impact**	**Mitigations**	**Key risk indicators**	**2018/19 activity**
The risk that negative publicity, public perception or uncontrollable events have an adverse impact on HL's reputation.	• Reduced AUA and AUM • Negative impact on HL revenue • Erosion of shareholder value	• Reputational risk is embedded within all the principal risks and uncertainties, and is considered within the relevant mitigations and controls • PR function, including access to external advisors	• NNB • Client attrition • NPS	• Management of the Woodford Equity Income Fund suspension, engagement with clients and external stakeholders

Legal and regulatory risks

Regulation				
Risk	**Potential impact**	**Mitigations**	**Key risk indicators**	**2018/19 activity**
Risk that required regulatory change is not implemented to regulatory expectations or requirements.	• Regulatory breaches • Increased regulatory scrutiny, censure or fines • Missed opportunities to achieve competitive advantage	• Compliance Plan • Group Operating Plan • Change Committee meets monthly to review and challenge progress of regulatory change projects designed to ensure business readiness • The Compliance function performs horizon checking to ensure the Group has timely visibility of future regulatory change • Dialogue with the FCA	• Risk Indicators • Volume of new outputs from regulatory bodies • Number of regulatory change projects	• Delivery of CSDR changes • Ongoing CASS environment review and improvement activities • Projects ongoing: SMCR and PSD2

Conduct risks

Client Outcomes				
Risk	**Potential impact**	**Mitigations**	**Key risk indicators**	**2018/19 activity**
Risk that HL's culture and the HL Values fail to support and encourage appropriate client focused conduct by all colleagues, leading to poor conduct.	• Poor client outcomes • Reputational damage • Regulatory scrutiny • Negative impact on the achievement of our growth targets	• Business plans linked to Colleague Surveys • Senior Management meet monthly to oversee and drive client experience, people and culture related activity • Regular Conduct Risk MI, discussed at the Product Governance Committee	• Glassdoor rating • Employee surveys • Client Survey results • Colleague Retention • Complaints • Colleague attrition rate	• Quarterly 'Town hall' Communications sessions • Leadership group restructured and developed • Establishment of a Corporate & Social Responsibility programme • Established a business led diversity, inclusion and wellbeing programme of activity • Updated Performance Development • model

Operational risks

Operational delivery				
Risk	**Potential impact**	**Mitigations**	**Key risk indicators**	**2018/19 activity**
Risk that HL fails to design or implement appropriate policies, processes or technology.	• Incorrect or inefficient delivery of activities • Regulatory or policy breaches • Poor client outcomes • Financial losses including compensation • Reputational damage	• Group Risk Management Framework • Ongoing first line of defence monitoring of controls, control testing and self-assessment • Process manuals and process mapping • Operational MI • Control focus at key governance forums, including; CASS Committee, Operations Risk & Control Committee, Executive Risk Committee, Risk Committee	• Risk events • Best Execution monitoring • Third Party breaches • Complaints • Helpdesk call quality • Employee retention rates	• Embedding of a Process Framework model • Process improvements across operational functions leading to a significant reduction in errors, complaints and breaches

Business continuity				
Risk	**Potential impact**	**Mitigations**	**Key risk indicators**	**2018/19 activity**
Risk that HL fails to manage the resilience of operational functions.	• Potential impact • Inability to manage extreme or unexpected events • Operational errors • Poor client outcomes • Regulatory scrutiny • Reputational damage	• Business Continuity and Disaster Recovery plans tested regularly • Dual hosting of all critical servers, telecommunications and applications • Separate business continuity/disaster recovery site available 24/7	• Performance of BCP & DR tests	• Enhancements to Business Impact Analyses • Review of our Third Party DR site

Financial crime and data protection				
Risk	**Potential impact**	**Mitigations**	**Key risk indicators**	**2018/19 activity**
Risk that HL fails to design or implement appropriate frameworks, including policies, processes or technology, to counter HL being used to further financial crime.	• Loss of data • Poor client outcomes (including fraud) • Negative impact on confidence in HL • Diminish the integrity of the financial system	• Dedicated Chief Information Security Officer and team, and a Security Operations Centre focused on the detection, containment, and remediation of information security threats • Dedicated Information Security, Anti Money Laundering and Client Protection teams in place • Formal policies and procedures and a robust, rolling risk-based programme of penetration and vulnerability testing in place	• Fraud monitoring • Cyber threat assessment • Time taken to address security vulnerabilities	• A programme of training and awareness • Expansion of the Security Operations Centre • Continuous cycle of cyber control improvements

Financial risks

Performance of markets				
Risk	**Potential impact**	**Mitigations**	**Key risk indicators**	**2018/19 activity**
Fluctuations in capital markets may adversely affect trading activity and/or the value of the Group's Assets Under Administration or management, from which we derive revenues. These fluctuations can result from macro-economic or political concerns, such as Brexit for example.	• Reduced AUA and AUM • Negative impact on HL revenue	• The Group's business model comprises both recurring platform revenue and transaction-based revenue • A high proportion of the Assets Under Administration are held within tax-advantaged wrappers, meaning there is a lower risk of withdrawal • The Group has established a specific Brexit-preparation workstream focused mitigating business and client impacts	• Interest rates • FTSE 100	• Ongoing discussion in the Executive Committee

Glossary of Alternative Financial Performance Measures

Within the Announcement 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 basic 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 (see Note 3.2 to the consolidated financial statements).	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 margin	Profits after deducting operating costs but 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.
Percentage of recurring 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 Vantage 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.
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 Vantage 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 fee, 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.