

Hargreaves Lansdown plc Group

**Interim Report and
Condensed Consolidated Financial Statements
6 months ended 31 December 2011**

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The Interim Management Report contains 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 2011 Annual Report, underlying such forward-looking information.

Unless otherwise stated, all figures below refer to the six months ended 31 December 2011 ("H1 2012"). Comparative figures are for the six months ended 31 December 2010 ("H1 2011")

Hargreaves Lansdown plc
Interim results for the six months ended 31 December 2011

Hargreaves Lansdown plc ("HL" or "the Group") today announces interim results for the six month period ended 31 December 2011.

Highlights

- Continued growth with record revenue (up 16% to £112.9m) and record profits (up 28% to £72.0m)
- Total net business inflows for the 6 months of £1.16 billion
- Total assets under administration of £23.4 billion
- Continued growth in active Vantage client numbers, now 396,000, an increase of 16,000 since 30 June 2011 (H1 2011: 16,000)
- Increased market share in stockbroking[§] and a 12% increase in stockbroking volumes
- Group operating margin up 2.5%
- Total interim dividend up 13% to 5.1 pence per share (H1 2011: 4.5 pence)
- Highly cash generative with a well capitalised debt-free balance sheet

[§] Source: Compeer, Sept 2011 vs June 2011

Commenting on the results, Ian Gorham, Chief Executive said:

In the six months to 31 December 2011 we have achieved record revenue and profits. A 16% increase in revenues allied to tight control on costs delivered a record underlying profit before tax of £72.0 million, which represents a 21% increase on last year.

This record result has been achieved despite the continued backdrop of economic uncertainty both at home and abroad. Investor confidence has deteriorated during the last 12 months. Total UK net retail sales of funds have fallen to levels only previously seen during the credit crunch of 2008. The UK is also courting a double-dip recession and the average member of the UK investing public feels poorer today than a year ago.

In spite of unfavourable conditions and lower investment values, we continued to see healthy net business inflow, only marginally down on our record previous year, and we welcomed 16,000 new clients to the Vantage service. In addition to delivering record revenues and profits we have improved our competitiveness, reduced charges and improved the functionality of our systems. Our range of services and products have been increased and improved in line with our "investment supermarket" strategy. Lower stockbroking fees and ISA management charges were introduced from 1 August 2011, which has led to a rise in our share of the UK stockbroking market during the period. We have continued to see flows of business from competitors which is an emphatic confirmation of our strong market position.

In turbulent times wise investors focus firstly on the security of their assets and trustworthy service. As a listed company with a 30-year reputation and a strong balance sheet, Hargreaves Lansdown is uniquely placed to deliver that security and service to the UK public.

There is no doubt that the economic environment remains challenging but we are confident that the still unique Hargreaves Lansdown business model will continue to show itself to be extremely robust.

Financial highlights

| | Unaudited 6 months ended 31 December 2011 | Unaudited 6 months ended 31 December 2010 | Change % | Audited year to 30 June 2011 |
|--|--|--|----------|------------------------------------|
| Revenue | £112.9m | £97.0m | +16% | £207.9m |
| Proportion of recurring revenue | 81% | 76% | +5 pts. | 78% |
| Underlying profit* before tax | £72.0m | £59.3m | +21% | £129.0m |
| Profit before tax | £72.0m | £56.3m | +28% | £126.0m |
| Underlying operating profit* margin | 63.0% | 60.5% | +2.5 pts | 61.3% |
| Total assets under administration | £23.4bn | £22.3bn | +5% | £24.6bn |
| Underlying* diluted earnings per share | 11.3p | 9.1p | +24% | 20.0p |
| Diluted earnings per share | 11.3p | 8.6p | +31% | 19.6p |
| Interim dividend per share | 5.1p | 4.5p | +13% | 4.5p |
| Net business inflows | £1.16bn | £1.34bn | -13% | £3.5bn |

*H1 2011 underlying profit excludes the additional FSCS levy, as detailed in the Financial Review.

About us:

The Hargreaves Lansdown Group (the "Group") is the UK's largest direct to investor "investment supermarket". The Group provides the UK investing public with access to a wide choice of investments and attracts high quality earnings derived from the value of investments under administration or management, primarily through its market leading Vantage service.

Our success can be attributed to good value pricing, innovative marketing, excellent research and information and high retention of clients through the provision of first class service. The company employs a unique direct marketing model which is cost effective, scalable and affords a high profit margin despite giving clients access to low cost investing.

Unlike a traditional asset manager, the broad choice of investments and products available through the Group and the diversity of services mean that a client's assets usually stay within the Hargreaves Lansdown stable. Even if a client chooses to switch investments or into different asset classes or products, the wide choice, from equity to cash management facilities, means the client assets are usually retained.

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Analysts' presentation

Hargreaves Lansdown will be hosting an investor and analyst presentation at 9.00am on 9th February 2012 following the release of the results for the half year ended 31 December 2011. Access is by invitation only. 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 day.

Chief Executive's Statement

I am pleased to report that for the six months to 31 December 2011 we have again achieved record revenue and profits.

The first six months' trading of the current financial year has seen the continued trend of growing revenue (£112.9 million, +16%) and underlying profits (£72 million, +21%), with both figures reaching record levels for the first half of the year. Traditionally, the second half of the year, which encompasses the tax year end, is the stronger half, and we are pleased to report a successful pre-cursor to our busy season.

Only twice during the 30 years of Hargreaves Lansdown's history have there been investing conditions this poor. Ongoing economic gloom, weak macroeconomic data, rising unemployment, financially stretched households and continuing sovereign debt and Eurozone issues persist. In the year to 30 June 2011 the FTSE All Share rose by 22% which encouraged investment, but even that bright spot dissolved during the period under review. UK stock market values declined 7.7% in the six months to December 2011 and have fallen more in many other parts of the world popular with investors, particularly in Asia. This scenario has created challenges for many equity-based businesses. UK retail fund sales figures were down 63% in the third quarter of 2011, to similar levels experienced during the credit crisis in 2008.

It is therefore encouraging that we are reporting an excellent start to our first six months of the year. In addition to strong increases in revenue and profit, we saw £1.16 billion of net new business for the six month period. Although slightly below the prior year comparative of £1.34 billion, adjusting for lower stock markets and given the prevailing landscape it is an excellent performance. Assets Under Administration (AUA) stand at £23.4 billion, up £1.1 billion (5%) from September 2011, our last reported figure. New clients for the first half of the year, at 16,000, also match our record previous year.

The main driver of asset growth was again derived from Vantage, where the SIPP saw a net new business increase year on year, benefiting from the simplified tax rules and the long term investment horizon of the product. The ISA and Fund & Share accounts are more susceptible to market movement, timing, sentiment and disposable income but business remained reasonably robust. In volatile market conditions clients defer acquiring new investments, however, as we head towards the end of the tax year, we expect that the deadlines for using pension and ISA allowances will encourage net new business.

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Chief Executive's Statement (continued)

During the period a range of initiatives were delivered on time and to budget. In line with our "investment supermarket" strategy we introduced an improved stockbroking tariff and functionality, including online overseas dealing, lower fees on our ISA (all launched 1 August 2011), a Junior ISA product (1 November 2011) and Android and I-phone "apps" (August 2011). The information we produce has been enhanced with increased coverage of investments including index tracker funds, investment trusts and ETFs. Our reward for these initiatives has been a 2% rise in retail stockbroking market share (10.7% to 12.7%*), 3,000 Junior ISAs were opened in the first 2 months of the introduction of the service, there were over 35,000 downloads of the HL "apps" and 10% of all website visits are now coming through mobile media.

Progress remains positive in our workplace investment service, Corporate Vantage. 39 Corporate Vantage schemes are either live or being implemented, an increase of 12 schemes during the last six months. Employees in these schemes have risen 48% to 3,569 and AUA have increased by 90% to £63.7m. This remains a long term initiative but client feedback has been excellent, and we have recruited further resource to develop and complement the Corporate Vantage service. Auto-enrolment, which begins to phase in from 2013, will be a key opportunity for this business.

Our discretionary investment management business, PMS, has also grown, with net new business in the first half of the year 31% higher than the comparative six month period. Assets being managed in PMS now stand at £1.5 billion.

Cost control has been excellent. Inflation, the need to service greater numbers of clients, increased marketing activity and resource allocated to the new services have all increased costs. We have however limited cost increases to just £3.5m (9%) from £38.3 million to £41.8 million compared to a 16% rise in revenue. As a result, operating margin continues to improve.

Our focus for the coming months will be on the busy tax year-end period. We also intend to launch improved cash services and bring in further improvements to functionality and service which should encourage clients to increase the portion of their family assets with Hargreaves Lansdown.

Since the platform paper announced by the FSA on 1 August 2011, which we addressed in our full year results on 1 September and the subsequent annual report, there have been no other significant regulatory developments in the period. Our planning for any potential changes as a result of the Retail Distribution Review (RDR) has progressed. We remain confident in our position that all foreseeable changes can be accommodated without a material effect to our profitability.

A host of factors has always resulted in our peak trading period occurring in the second half of our trading year (the first 6 months of the calendar year). This will be key to our full year's performance. We believe clients will once again make tax year-end investments and hopefully any improvements in stock markets should encourage them.

As Hargreaves Lansdown continues to grow we remain focused on our mission "to help investors make more of their investments by providing the best information, the best service and the best prices." Regardless of the persistent difficult economic conditions we believe Hargreaves Lansdown is well placed to deliver long term future growth through focusing on the needs of investors.

Finally I would like to thank all our employees for their valuable contribution in the record achievement of the first six months; for ensuring that the business is in great shape to service our ever growing client base and for continually striving to improve our services. I would also like to thank our clients for their continued support and recommendation, which helps grow our business and reputation.

Ian Gorham
Chief Executive

* Source: Compeer, Sept 2011 vs June 2011

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Financial and Business Review

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.

Summary of Results

Despite tough economic and market conditions, it has been another record period for the Group in terms of revenue and profit. Revenue for the six months to 31 December 2011 was £112.9 million (H1 2011: £97.0 million) which generated a reported operating profit of £71.1 million (H1 2011: £55.6 million).

| | Unaudited 6 months ended 31 December 2011 | Unaudited 6 months ended 31 December 2010 | Audited Year to 30 June 2011 |
|---|---|---|--|
| | (H1 2012) £'million | (H1 2011) £'million | (FY 2011) £'million |
| Revenue | 112.9 | 97.0 | 207.9 |
| Administrative expenses | (41.8) | (38.3) | (80.5) |
| Underlying operating profit | 71.1 | 58.7 | 127.4 |
| Additional FSCS levy | - | (3.0) | (3.0) |
| Operating profit | 71.1 | 55.6 | 124.4 |
| Non-operating income – investment revenue and other gains | 0.9 | 0.6 | 1.6 |
| Profit before taxation | | | |
| - before one-off expenses & FSCS levy | 72.0 | 59.3 | 129.0 |
| - after one-off expenses & FSCS levy | 72.0 | 56.3 | 126.0 |
| Taxation | (19.0) | (15.6) | (34.1) |
| Profit after taxation | 52.9 | 40.6 | 91.9 |

A significant contribution to revenue has come from organic growth in assets under administration (AUA) from new clients and new business in the current period and previous year. The average level of the FTSE All-Share index has been 0.6% lower during the six months to 31 December 2011 compared to the six months ended 31 December 2010. In comparison, the Group's revenue has increased by 16%.

| Revenue, by division | Unaudited 6 months ended 31 December 2011 £'million | Unaudited 6 months ended 31 December 2010 £'million | Increase % |
|------------------------------|--|--|------------|
| Vantage | 87.0 | 73.4 | +19% |
| Discretionary and Managed | 13.2 | 11.6 | +14% |
| Third Party & Other Services | 12.7 | 12.0 | +6% |
| Total Revenue | 112.9 | 97.0 | +16% |

One of our key objectives is to improve the earnings quality as measured by the percentage of revenue which is recurring in nature. For the six months to 31 December 2011 this was 81% for the Group which is up 5% on the comparative period.

We continue to maintain a strong focus on cost control and efficiencies. Cost control has been excellent. Despite the need to service greater numbers of clients, invest more in marketing to offset the economic conditions, and the cost of new services introduced, underlying costs have risen by just £3.5 million (9%) year on year compared to a 16% rise in revenue. As a result of this, and the scalability of our operations the underlying operating profit margin (before the H1 2011: FSCS levy) has increased further from 60.5% to 63.0% for the six-month period.

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| Administrative Expenses | Unaudited 6 months ended 31 December 2011 | Unaudited 6 months ended 31 December 2010 | Increase % |
|--|---|---|------------|
| | £'million | £'million | |
| Staff costs | 20.8 | 19.9 | +5% |
| Commission payable | 8.1 | 7.4 | +9% |
| Marketing and distribution costs | 4.6 | 3.9 | +18% |
| Office running costs | 2.2 | 2.0 | +10% |
| Depreciation, amortisation and financial costs | 1.2 | 1.1 | +9% |
| Other costs | 4.2 | 3.7 | +14% |
| Compliance costs | 0.7 | 0.3 | +133% |
| Underlying costs | 41.8 | 38.3 | +9% |
| Additional FSCS levy | - | 3.0 | -100% |
| Total administrative expenses | 41.8 | 41.3 | +1% |

The Group's largest expense is staff costs which increased by 5%. As a percentage of the underlying costs, however, they decreased by 2% to 50% (H1 2011: 52%). The average number of staff (including directors) during the six months ended 31 December 2011 was 657 (H1 2011: 626). As at 31 December 2011 we employed 664 staff.

Commission payable includes the share of renewal income which the Group receives on funds held in Vantage which is rebated back to clients as a cash loyalty bonus. It increased by 9%, from £7.4 million to £8.1 million, in line with the rise in value of the related client assets.

The Group increased marketing and distribution spend by 18% from £3.9 million to £4.6 million. This includes the cost of sending information to existing and potential clients, including the Group's flagship publication, The Investment Times. These costs also include media advertising, postage, stationery and the cost of corresponding with clients. In terms of mailing activity, numbers of clients mailed by post and e-mail were up 9% and 24% respectively which increased printing and distribution costs. In addition, the spend on advertising and transfer incentives also increased in response to the economic conditions.

Office running costs include rent, rates, utility and security costs and have increased by £0.2m.

Other costs include items such as dealing costs, irrecoverable VAT, compensation costs, insurance, legal and professional services, computer maintenance and external administration charges. These costs increased by 14% from £3.7 million to £4.2 million including irrecoverable VAT and computer maintenance which were £0.2 million and £0.1 million higher respectively. Some of these costs have increased due to the increased size of business and higher business volumes.

Compliance costs relate to regulatory costs levied by the Financial Services Authority. The underlying compliance costs have increased from £0.3 million to £0.7 million.

Assets Under Administration (AUA)

During the second quarter of the year, total AUA increased by 5% to £23.4 billion from £22.3 billion reported in the Q1 Interim Management Statement. Since June 2011 the FTSE All-Share has fallen by 7.7% from 3,096.72 to 2,857.88, and the value of Hargreaves Lansdown's total AUA has fallen by 4.9%. Total assets under administration can be broken down as follows:

| | 31 December 2011 £'billion | 31 December 2010 £'billion | 30 June 2011 £'billion |
|--|----------------------------------|----------------------------------|------------------------------|
| Vantage Assets Under Administration (AUA) | 21.9 | 20.9 | 23.1 |
| Assets Under Administration and Management (AUM) | | | |
| Portfolio Management Service (PMS) | 1.5 | 1.4 | 1.5 |
| Multi-manager funds held outside of PMS | 0.7 | 0.7 | 0.8 |
| AUM Total | 2.2 | 2.1 | 2.3 |
| Less: Multi-manager funds (AUM) included in Vantage (AUA) | (0.7) | (0.7) | (0.8) |
| Total Assets Under Administration | 23.4 | 22.3 | 24.6 |

The value of assets under administration held within the Vantage service, the Group's direct-to-private investor fund supermarket and wrap platform, decreased from £23.1 billion as at 30 June 2011 to £21.9 billion as at 31 December 2011. This can be attributed to £1.1 billion net new business inflows (H1 2011: £1.3 billion) offset by the £2.3 billion negative impact of the market and other growth factors during the period.

Net new business generated within the Vantage ISA, SIPP and other Vantage nominee accounts was £0.3 billion, £0.5 billion and £0.3 billion respectively (H1 2011: £0.4 billion, £0.5 billion, £0.4 billion). New business inflows have fallen slightly from last year's record level, but are healthy when considering the economic environment, pressures on

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household finances and lower investment values. The average contribution into a SIPP has increased marginally, whereas average subscription values into ISAs have fallen marginally.

Both asset retention and client retention levels remain very high. The proportion of AUA lost to competitors is usually at a very low level but has fallen further, reflecting our strong competitive position. The proportion of AUA lost as withdrawals has also fallen marginally, although notably the value of cash withdrawals from ISAs has increased in value, an indication that savers are feeling the squeeze.

As at 31 December 2011, the value of assets held within the Vantage ISA was £8.9 billion (30 June 2011: £9.5 billion), within the Vantage SIPP was £6.6 billion (30 June 2011: £6.6 billion) and within other Vantage nominee accounts was £6.4 billion (30 June 2011: £7.0 billion).

16,000 new clients joined the Vantage service during the period, in line with the comparative period (H1 2011: 16,000). The number of active Vantage clients at 31 December 2011 was 396,000 compared with 380,000 as at 30 June 2011.

Clients have increased their cash weightings during the period. The composition of assets across the whole of Vantage at 31 December 2011 was 29% stocks and shares (30 June 2011: 30%), 59% investment funds (30 June 2011: 60%) and 12% cash (30 June 2011: 10%).

The value of assets held in our managed services, namely our Portfolio Management Service and our range of multi-manager funds, was £2.25 billion as at 31 December 2011, down 3 % from £2.33 billion at 30 June 2011, including £0.74 billion of Hargreaves Lansdown multi-manager funds administered through Vantage. The decrease can be attributed to the £144 million negative impact of the market during the period offset by £68 million of net new business which predominantly relates to the Portfolio Management Service.

Vantage

Performance from the Group's Vantage service has again been strong. The number of clients using this service has increased by 15% over the last twelve months. We have increased revenue from the Vantage service by 19% from £73.4 million to £87.0 million. This increase was primarily a result of the assets (AUA) being on average 17% higher in value than in H1 2012, while the overall revenue margin earned on AUA increased slightly from 78bps to 79bps.

The slight overall Vantage margin improvement to 79bps was achieved by an increased margin arising on cash balances which more than offset the reduction in margin caused by the reduction in the stockbroking and ISA tariffs that became effective from 1 August 2011.

Having introduced significant tariff reductions for our Vantage clients during the period, as expected the stockbroking commission has fallen, being £1.0 million lower compared to the prior year comparative period. Despite the volatile and uncertain markets, equity dealing volumes in Vantage have increased by 13%. Although the online deals are now at a lower average commission rate they have been higher than we had estimated. The percentage of equity deals taking place online increased from 85% to 87%. Fund dealing volumes were up 9%, although no commission is made on fund deals as this service is provided free of charge to Vantage clients.

Discretionary and Managed

The Discretionary and Managed division has seen an increase in revenue of 14 % compared to H1 2011.

On average AUM were 11% higher during H1 2012 compared to H1 2011 which helped to increase the renewal income and management fees in the period. In addition initial charges were higher as the number of new PMS clients increased by 20% and the value of net new PMS business increased by 31%. The overall level of AUM has increased by 5% to £2.2 billion in the twelve months since 31 December 2010, with the number of clients using PMS increasing by 6% to 11,521. The managed portfolios within PMS outperformed the FTSE All-Share, recording an average market decline of 5.8% compared to the FTSE All-Share's decline of 7.7% over the six months. Three of the six portfolios outperformed their relevant IMA indices.

The HL Multi-Manager funds recorded £0.1 billion of net new business which was the same as H1 2011. The assets of the funds recorded a 6.5% market decline compared to the FTSE All-Share decline of 7.7%. The value of HL Multi-Manager Funds held outside of PMS increased by 8% to £766 million.

Third Party and Other Services

Revenue from the Third Party and Other Services division increased by £0.7 million, representing a 6% increase compared to the same period last year. The "Funds Library" data services provided by our subsidiary company Library Information Services Limited was the key contributor, providing £0.5 million of the increase. Elsewhere in this division personal pensions income was up £0.3 million from higher annuity commission income, foreign currency CFD and spread betting income was up £0.3 million from higher volumes of trades and these were partly offset by a fall in third party corporate pension income of £0.4 million.

Investment revenues

Investment revenue increased by 36%, from £0.64 million to £0.87 million. This is attributed to an increase in the interest rates earned on the Group's own cash balances.

Taxation

The charge for taxation in the income statement increased in line with higher profits to £19.0 million from £15.6 million. The effective tax rate fell from 27.7% in H1 2011 to 26.0% in the current period. The reduction in the effective tax rate has been a result of the standard UK corporation tax rate falling from 28% to 26% as from 1 April 2011. In total, taxation of £2.6 million has also been charged directly to equity and relates to share-based payments.

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Earnings per share (EPS)

The basic EPS has increased from 8.8 pence to 11.4 pence. The underlying basic EPS increased from 9.2 pence to 11.4 pence and the underlying diluted EPS increased from 9.1 pence to 11.3 pence. The underlying earnings figures exclude the net effect of investment gains and exclude the FSCS additional levy cost in H1 2011.

Dividend

We are pleased to declare that an interim dividend of 5.1 pence per share will be paid on 11 April 2012 to all shareholders on the register at 16 March 2012. This amounts to a total interim dividend of £23.6 million. The Board intends to make a further dividend declaration at the same time as our preliminary results announcement for the full year, with the dividend payable on 28 September 2012.

The interim dividend of 5.1 pence represents an increase of 13% compared to the prior year interim dividend of 4.5 pence. The full year dividend policy remains unchanged.

An arrangement exists under which the Hargreaves Lansdown Employee Benefit Trusts (the "EBTs") have agreed to waive all dividends. As at 31 December 2011 the EBTs held 11,108,038 shares.

Capital expenditure and cash flow

Capital expenditure totalled £0.5 million for the six months ended 31 December 2011, compared with £0.7 million for the same period in the previous financial year. Capital expenditure consisted mainly of IT hardware and software.

The Group's own cash balances totalled £101.7 million at the end of the period. This includes £0.4 million of cash held within the EBTs. The only significant cash outflow from underlying profits has been the final and special dividends totalling £66.5 million paid during September 2011. In addition to the Group's own cash, the figure for cash and cash equivalents on the balance sheet includes client cash which is being held on account pending the settlement of transactions. This will vary depending on the level of trading activity around the balance sheet date. As at 31 December 2011, this balance was £10.4 million (31 December 2010: £10.9 million).

The Group is highly cash generative and the cash conversion ratio measured by the operating cash flows as a percentage of operating profits improved from 95% in H1 2011 to 105% in H1 2012.

Net assets, capital requirement and treasury policy

The Group net assets increased by 18%, from £97.9 million at 31 December 2010, to £115.8 million at 31 December 2011.

The Group has four subsidiary companies which are authorised and regulated by the Financial Services Authority. Under the Capital Requirements Directive, the Group is required to make Pillar 3 disclosure of additional information on its risk management framework, capital resources and individual risks. These disclosures are published on the Group's website at www.hl.co.uk. We continue to hold a level of capital that provides significant headroom over the regulatory minimum. At 31 December 2011, the regulated companies had Tier 1 capital of £55 million which provided excess regulatory capital of approximately £47 million.

The Group is soundly financed with a strong balance sheet and no borrowings. This is an important strength which provides both resilience and flexibility. The Group deposits its liquid funds with selected financial institutions which are regularly reviewed as specified within the Group Treasury policy. The Group actively maintains sufficient cash balances on short-term deposit to ensure that it has adequate funds available for operations. This policy is designed to ensure that the Group takes no material liquidity risk. The Group is not exposed to significant foreign exchange translation or transaction risk.

Related party transactions

There were no material changes to the related party transactions during the financial period.

Board changes

On 3 October 2011 Hargreaves Lansdown announced the appointment of two new non-executive directors. They are Dharmash Mistry, who brings a broad expertise in digital media and marketing and Stephen Robertson, who is currently Director General of the British Retail Consortium and brings a wealth of retail knowledge. Details of their working history and other directorships can be found on the Company website. The Board now comprises nine directors, including six non-executive directors, five of whom are independent. This more than satisfies the requirements of the UK Corporate Governance Code, and we believe it is a strong Board to support our Chief Executive and the executive team.

Principal risks and uncertainties

The principal risks and uncertainties which could impact the Group were detailed on pages 22 to 24 of the Group's Annual Report and Financial Statements 2011, a copy of which is available on the Group's website www.hl.co.uk. These are not expected to change in the second half of the 2012 financial year, and they are regularly reviewed by the Board.

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Going concern

The interim report and condensed financial statements are prepared on a going concern basis as the directors are satisfied that, at the time of approving the interim report and condensed financial statements, the Group has the resources to continue in business for the foreseeable future.

Current trading and outlook

The level of markets and investor confidence has always had a material impact on our business. During the current year the mainly positive markets in our first quarter resulted in net inflows of business up 24% compared to the same period in the previous year. The unabating worries in the euro region, increased volatility and lower levels of stock markets meant inflows decelerated in the second quarter.

High taxes will encourage our clients to make maximum use of the tax efficient investments that are available to them before the April deadline; an area in which we specialise. This has been borne out in previous years by healthy inflows of pension and ISA contributions.

We remind you that our earnings have a relationship with the value of the investments within our administration meaning the level of world stock markets has an effect on profits outside our control. The recent rallying of the stock market is a positive factor. We would also mention that a significant portion of client assets are in bonds which have had a broadly positive six months.

Encouragingly we see America surprising on the upside both in job creation and GDP figures. Despite the world's obsession with emerging markets one should never forget that the USA still remains the bellwether for the world economy. We hear much of China but the US remains the world's largest economy and is home to the world's biggest stock market.

On a positive note if history repeats itself; turbulent times such as those we are experiencing have always benefited our businesses where we have been a leader in innovation. Our ability to isolate not only areas of investment which appeal to investors but investment opportunities which have delighted our clients has played an important part in our success.

The UK public's capacity to invest may be challenged by tough circumstances, and volumes may be slightly lower in these difficult times. However, historically periods of lower volume have often led to increased market share, a share which in the past we have retained when markets stabilised.

Tracey Taylor
Group Finance Director

Responsibility Statement

The directors confirm that to the best of their knowledge:

- a) the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting;
- b) the interim management report includes a fair review of the information required by the Disclosure and Transparency Rules (DTR) 4.2.7R - "indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year"; and
- c) the interim management report includes a fair review of the information required by DTR4.2.8R - "disclosure of related party transactions and changes therein".

On behalf of the Board

Tracey Taylor
Group Finance Director
8 February 2012

Independent Review Report to Hargreaves Lansdown plc

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2011 which comprises the Condensed Consolidated Income Statement, the Condensed Consolidated Statement of Comprehensive Income, the Condensed Consolidated Statement of Changes in Equity, the Condensed Consolidated Balance Sheet, the Condensed Consolidated Statement of Cash Flows and related notes 1 to 19. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company 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. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

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 inquiries, 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 Ireland) 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2011 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Deloitte LLP

Chartered Accountants and Statutory Auditor

Bristol, United Kingdom

8 February 2012

Condensed Consolidated Income Statement

| | | Unaudited 6 months ended 31 December 2011 | Unaudited 6 months ended 31 December 2010 | Audited Year to 30 June 2011 |
|-----------------------------------|------|---|---|---------------------------------------|
| | Note | £'000 | £'000 | £'000 |
| Revenue | 8 | 112,880 | 96,954 | 207,904 |
| Total operating income | | 112,880 | 96,954 | 207,904 |
| Administrative expenses | | (41,801) | (41,324) | (83,459) |
| Operating profit | | 71,079 | 55,630 | 124,445 |
| Investment revenues | 9 | 875 | 640 | 1,496 |
| Other gains | 10 | 1 | 2 | 72 |
| Profit before tax | | 71,955 | 56,272 | 126,013 |
| Tax | 11 | (19,041) | (15,629) | (34,066) |
| Profit for the period | | 52,914 | 40,643 | 91,947 |
| Attributable to: | | | | |
| Equity holders of the Company | | 52,774 | 40,606 | 91,820 |
| Non-controlling interest | | 140 | 37 | 127 |
| | | 52,914 | 40,643 | 91,947 |
| Earnings per share (pence) | 13 | | | |
| Basic earnings per share | | 11.4 | 8.8 | 19.8 |
| Diluted earnings per share | | 11.3 | 8.6 | 19.6 |

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

After the balance sheet date, the directors declared an ordinary interim dividend of 5.1 pence per share payable on 11 April 2012 to shareholders on the register at 16 March 2012.

Condensed Consolidated Statement of Comprehensive Income

| | Unaudited 6 months ended 31 December 2011 | Unaudited 6 months ended 31 December 2010 | Audited Year to 30 June 2011 |
|---|---|---|---------------------------------------|
| | £'000 | £'000 | £'000 |
| Profit for the period | 52,914 | 40,643 | 91,947 |
| Other comprehensive income for the period: | | | |
| (Decrease)/increase in fair value of available-for-sale investments | (4) | 27 | 39 |
| Total comprehensive income for the period | 52,910 | 40,670 | 91,986 |
| Attributable to: | | | |
| Equity holders of the Company | 52,770 | 40,633 | 91,859 |
| Non-controlling interest | 140 | 37 | 127 |
| | 52,910 | 40,670 | 91,986 |

Condensed Consolidated Statement of Changes in Equity

| | Attributable to the owners of the Company | | | | | | | | Non-controlling interest | Total equity |
|---|---|-----------------------|--------------------------------|----------------------------|----------------------------|-------------|-------------------|-----------------|--------------------------|-----------------|
| | Share capital | Share premium account | Investment revaluation reserve | Capital redemption reserve | Shares held by EBT reserve | EBT reserve | Retained earnings | Total | | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| At 1 July 2010 | 1,897 | 8 | 91 | 12 | (14,505) | 10,166 | 68,445 | 66,114 | (61) | 66,053 |
| Profit for the period | - | - | - | - | - | - | 40,606 | 40,606 | 37 | 40,643 |
| Other comprehensive income: | | | | | | | | | | |
| Net fair value gains on available-for-sale assets | - | - | 27 | - | - | - | - | 27 | - | 27 |
| Employee Benefit Trust: | | | | | | | | | | |
| Shares sold during the period | - | - | - | - | 61 | - | - | 61 | - | 61 |
| Shares acquired during the period | - | - | - | - | (2,156) | - | - | (2,156) | - | (2,156) |
| EBT share sale net of tax | - | - | - | - | - | (9) | - | (9) | - | (9) |
| Employee share option scheme: | | | | | | | | | | |
| Share-based payments expense | - | - | - | - | - | - | 690 | 690 | - | 690 |
| Deferred tax effect of share-based payments | - | - | - | - | - | - | 3,113 | 3,113 | - | 3,113 |
| Dividend paid | - | - | - | - | - | - | (10,567) | (10,567) | - | (10,567) |
| At 31 December 2010 | 1,897 | 8 | 118 | 12 | (16,600) | 10,157 | 102,287 | 97,879 | (24) | 97,855 |
| At 1 July 2011 | 1,897 | 8 | 130 | 12 | (16,529) | 10,294 | 134,989 | 130,801 | 66 | 130,867 |
| Profit for the period | - | - | - | - | - | - | 52,774 | 52,774 | 140 | 52,914 |
| Other comprehensive income: | | | | | | | | | | |
| Net fair value gains on available-for-sale assets | - | - | (4) | - | - | - | - | (4) | - | (4) |
| Employee Benefit Trust: | | | | | | | | | | |
| Shares sold during the period | - | - | - | - | 274 | - | - | 274 | - | 274 |
| EBT share sale net of tax | - | - | - | - | - | (205) | - | (205) | - | (205) |
| Employee share option scheme: | | | | | | | | | | |
| Share-based payments expense | - | - | - | - | - | - | 1,142 | 1,142 | - | 1,142 |
| Deferred tax effect of share-based payments | - | - | - | - | - | - | (2,610) | (2,610) | - | (2,610) |
| Tax relief on exercise of share option | - | - | - | - | - | - | (1) | (1) | - | (1) |
| Dividend paid | - | - | - | - | - | - | (66,548) | (66,548) | - | (66,548) |
| At 31 December 2011 | 1,897 | 8 | 126 | 12 | (16,255) | 10,089 | 119,746 | 115,623 | 206 | 115,829 |

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

The investment revaluation reserve represents the change in fair value of available-for-sale investments held by the Group, net of deferred tax.

The capital redemption reserve relates to the repurchase and cancellation of the Company's own shares.

The shares held by 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 Employee Benefit Trust to satisfy options under the Group's share option schemes.

The EBT reserve represents the cumulative (loss)/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 25% shareholding in Library Information Services Limited, a subsidiary of the Company.

Condensed Consolidated Balance Sheet

| | | Unaudited at 31 December 2011 | Unaudited at 31 December 2010 | Audited at 30 June 2011 |
|--|------|--|--|----------------------------------|
| | Note | £'000 | £'000 | £'000 |
| Non-current assets | | | | |
| Goodwill | | 1,333 | 1,333 | 1,333 |
| Other intangible assets | | 257 | 257 | 296 |
| Property, plant and equipment | | 6,374 | 7,060 | 6,980 |
| Deferred tax assets | | 5,675 | 5,926 | 8,117 |
| | | 13,639 | 14,576 | 16,726 |
| Current assets | | | | |
| Trade and other receivables | 15 | 101,639 | 131,661 | 176,178 |
| Cash and cash equivalents | 15 | 112,075 | 98,452 | 121,951 |
| Investments | 14 | 2,165 | 2,335 | 2,240 |
| Current tax assets | | 12 | 12 | 12 |
| | | 215,891 | 232,460 | 300,381 |
| Total assets | | 229,530 | 247,036 | 317,107 |
| Current liabilities | | | | |
| Trade and other payables | 16 | 94,459 | 132,277 | 167,439 |
| Current tax liabilities | | 19,121 | 16,381 | 18,742 |
| | | 113,580 | 148,658 | 186,181 |
| Net current assets | | 102,311 | 83,802 | 114,200 |
| Non-current liabilities | | | | |
| Provisions | | 121 | 523 | 59 |
| Total liabilities | | 113,701 | 149,181 | 186,240 |
| Net assets | | 115,829 | 97,855 | 130,867 |
| Equity | | | | |
| Share capital | 17 | 1,897 | 1,897 | 1,897 |
| Share premium account | | 8 | 8 | 8 |
| Investment revaluation reserve | | 126 | 118 | 130 |
| Capital redemption reserve | | 12 | 12 | 12 |
| Shares held by Employee Benefit Trust | | (16,255) | (16,600) | (16,529) |
| EBT reserve | | 10,089 | 10,157 | 10,294 |
| Retained earnings | | 119,746 | 102,287 | 134,989 |
| Equity, attributable to equity shareholders of the parent | | 115,623 | 97,879 | 130,801 |
| Non-controlling interests | | 206 | (24) | 66 |
| Total equity | | 115,829 | 97,855 | 130,867 |

The condensed consolidated financial statements of Hargreaves Lansdown plc, registered number 02122142, were approved by the board of directors on 8 February 2012, signed on its behalf and authorised for issue by:

Tracey Taylor
Group Finance Director

Condensed Consolidated Statement of Cash Flows

| | | Unaudited 6 months ended 31 December 2011 | Unaudited 6 months ended 31 December 2010 | Audited Year to 30 June 2011 |
|---|------|---|---|---------------------------------------|
| | Note | £'000 | £'000 | £'000 |
| Net cash from operating activities, after tax | 18 | 56,152 | 39,876 | 84,257 |
| Investing activities | | | | |
| Interest received | | 875 | 638 | 1,443 |
| Dividends received from investments | | - | 2 | 53 |
| Proceeds on disposal of available-for-sale investments | | - | - | 121 |
| Proceeds on disposal of plant and equipment | | 2 | 8 | 78 |
| Purchases of property, plant and equipment | | (419) | (517) | (1,596) |
| Purchase of intangible fixed assets | | (79) | (144) | (349) |
| Sale of investments | | 71 | 15 | - |
| Net cash from/(used in) investing activities | | 450 | 2 | (250) |
| Financing activities | | | | |
| Purchase of own shares | | - | (2,156) | (2,155) |
| Proceeds on sale of own shares | | 70 | 52 | 258 |
| Dividends paid | | (66,548) | (10,567) | (31,404) |
| Net cash used in financing activities | | (66,478) | (12,671) | (33,301) |
| Net (decrease)/increase in cash and cash equivalents | | (9,876) | 27,207 | 50,706 |
| Cash and cash equivalents at beginning of period | | 121,951 | 71,245 | 71,245 |
| Cash and cash equivalents at end of period | | 112,075 | 98,452 | 121,951 |

Notes to the Condensed Consolidated Financial Statements

1. Basis of preparation

The Interim Financial Statements for the six months to 31 December 2011 have been prepared using accounting policies consistent with International Financial Reporting Standards (IFRSs) and in accordance with the International Accounting Standard (IAS) 34 Interim Financial Reporting and the disclosure requirements of the Listing Rules. 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, Deloitte LLP, and their report appears earlier in this document. The financial information for the year ended 30 June 2011 has been derived from the audited financial statements of Hargreaves Lansdown plc for that year, which have been reported on by Deloitte LLP and delivered to the Registrar of Companies. Copies are available on-line at www.hl.co.uk. The auditor's report on those accounts was not qualified, did not include a reference to any matters to which the auditor drew attention by the way of emphasis without qualifying the report and did not contain statements under section 498 (2) or (3) of the Companies Act 2006.

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 2011 as were applied in the Audited Annual Financial Statements for the year ended 30 June 2011.

2. Seasonality of operations

A high proportion of the Group's revenue is derived from the value of assets under administration or management in either the Vantage Service or the Portfolio Management Service (PMS). The values of these assets are influenced predominantly by new business volumes, the stock market and client withdrawals. Of these factors, new business within Vantage tends to be seasonal with greater inflows in the second half of the financial year between January and June. This can be attributed to the timing of the UK tax year-end and the fact that many individuals review their investments around this time. The receipt of new business into PMS is less seasonal than this as a result of being distributed through our Financial Practitioners. In this instance, the inflow of business is also influenced by the timing of when advisers meet with clients.

As new business only accounts for a smaller proportion of asset values and because of other revenue streams and market effects, overall Group revenue is less seasonal than new business inflows. In the year ended 30 June 2011, 53% of revenue was earned during the second half of the year.

3. Segment information

The Group is organised into three business segments, namely the Vantage division, the Discretionary and Managed division and the Third Party/Other Services division. This is based upon the Group's internal organisation and management structure and is the primary way in which the Chief Operating Decision Maker (CODM) is provided with financial information. The CODM has been identified as the Board of Executive Directors.

The 'Vantage' division represents all activities relating to the Vantage service, our direct to investor fund supermarket and wrap service.

The 'Discretionary and Managed' division is focused on the provision of managed services such as our Portfolio Management Service and range of Multi-Manager funds.

The 'Third Party/Other Services' division includes activities relating to the broking of third party investments and pensions, certificated share dealing and other niche services such as currency, CFDs and spread betting. In this division, clients' investments are not administered within the Group.

The 'Group' segment contains items that are shared by the Group as a whole and cannot be reasonably allocated to other operating segments.

Segment expenses are those that are directly attributable to a segment together with the relevant portion of other expenses that can reasonably be allocated to the segment. Gains or losses on the disposal of available-for-sale investments, investment income, interest payable and tax are not allocated by segment.

Segment assets and liabilities include items that are directly attributable to a segment plus an allocation on a reasonable basis of shared items. Corporate assets and liabilities are not included in business segments and are thus unallocated. At 31 December 2011 and 2010, these comprise cash and cash equivalents, short-term investments, tax-related and other assets or liabilities.

Consolidation adjustments relate to the elimination of inter-segment revenues, balances and investments in group subsidiaries required on consolidation.

Notes to the Condensed Consolidated Financial Statements

3. Segment information (continued)

| | Vantage £'000 | Discretionary and Managed £'000 | Third Party/ Other Services £'000 | Group £'000 | Consolidation Adjustment £'000 | Consolidated £'000 |
|--|------------------|---------------------------------------|---|-----------------|--------------------------------------|-------------------------|
| 6 months ended 31 December 2011 | | | | | | |
| Revenue from external customers | 87,047 | 13,156 | 12,677 | - | - | 112,880 |
| Inter-segment revenue | - | 1,851 | - | - | (1,851) | - |
| Total segment revenue | <u>87,047</u> | <u>15,007</u> | <u>12,677</u> | <u>-</u> | <u>(1,851)</u> | <u>112,880</u> |
| Depreciation and amortisation | 807 | 124 | 212 | - | - | 1,143 |
| Interest revenue | - | - | - | 875 | - | 875 |
| Other gains | - | - | - | 1 | - | 1 |
| Reportable segment profit before tax | <u>55,359</u> | <u>8,774</u> | <u>7,195</u> | <u>627</u> | <u>-</u> | <u>71,955</u> |
| Reportable segment assets | 84,144 | 9,283 | 7,928 | 131,630 | (3,455) | 229,530 |
| Reportable segment liabilities | <u>(62,380)</u> | <u>(6,751)</u> | <u>(8,950)</u> | <u>(36,923)</u> | <u>1,303</u> | <u>(113,701)</u> |
| Net segment assets | <u>21,764</u> | <u>2,532</u> | <u>(1,022)</u> | <u>94,707</u> | <u>(2,152)</u> | <u>115,829</u> |
| 6 months ended 31 December 2010 | | | | | | |
| Revenue from external customers | 73,355 | 11,626 | 11,973 | - | - | 96,954 |
| Inter-segment revenue | - | 1,600 | - | - | (1,600) | - |
| Total segment revenue | <u>73,355</u> | <u>13,226</u> | <u>11,973</u> | <u>-</u> | <u>(1,600)</u> | <u>96,954</u> |
| Depreciation and amortisation | 735 | 93 | 166 | - | - | 994 |
| Interest revenue | - | - | - | 640 | - | 640 |
| Other losses | - | - | - | 2 | - | 2 |
| Reportable segment profit before tax | <u>41,972</u> | <u>7,721</u> | <u>6,136</u> | <u>443</u> | <u>-</u> | <u>56,272</u> |
| Reportable segment assets | 113,785 | 9,278 | 10,333 | 118,089 | (4,449) | 247,036 |
| Reportable segment liabilities | <u>(100,390)</u> | <u>(6,640)</u> | <u>(9,768)</u> | <u>(34,680)</u> | <u>2,297</u> | <u>(149,181)</u> |
| Net segment assets | <u>13,395</u> | <u>2,638</u> | <u>565</u> | <u>83,409</u> | <u>(2,152)</u> | <u>97,855</u> |

Information about products/services

The Group's operating segments are business units that provide different products and services. The breakdown of revenue from external customers for each type of service is therefore the same as the segmental analysis above.

Information about geographical area

All business activities are located within the UK.

Information about major customers

The Group does not rely on any individual customer.

4. Material events after interim period-end

After the interim balance sheet date, an ordinary interim dividend of 5.1 pence per share (H1 2011: interim dividend 4.5p) amounting to a total dividend of £23.6 million (2011: £20.8 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.

Notes to the Condensed Consolidated Financial Statements

5. Changes in capital expenditure and capital commitments since the last annual balance sheet date

Capital expenditure

During the six months ended 31 December 2011, the Group acquired property, plant, equipment and software assets with a cost of £0.5 million (H1 2011: £0.7 million, year to 30 June 2011: £1.9 million).

Capital commitment

At the balance sheet date, the Group had no significant capital commitments (31 December 2010: £0.3 million, 30 June 2011: nil).

6. 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 22 to 24 of the Group's Annual Report and Financial Statements 2011, 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, and they are regularly considered by the Board.

The Group is exposed to interest rate risk, the risk of sustaining losses from adverse movements in interest bearing assets. These assets comprise cash and cash equivalents. At 31 December 2011 the value of such assets on the Group balance sheet was £112 million (at 31 December 2010: £98 million). A 100bps (1%) move in interest rates, in isolation, would not have a material impact on the Group balance sheet or results. This exposure is continually monitored to ensure that the Group is maximizing 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. Cash at bank earns interest at floating rates based on daily bank deposit rates. Short term deposits are also made for varying periods of between one day and 12 months depending on the immediate cash requirements of the Group and earn interest at the respective fixed term deposit rates. As a source of revenue is based on the value of client cash under administration, the Group has an indirect exposure to interest rate risk on cash balances held for clients. These balances are not on the Group balance sheet.

7. Staff numbers

The average number of employees of the Group (including executive directors) was:

| | Unaudited 6 months ended 31 December 2011 | Unaudited 6 months ended 31 December 2010 | Audited Year to 30 June 2011 |
|---------------------------------|---|---|---------------------------------------|
| | No. | No. | No. |
| Operating and support functions | 459 | 450 | 470 |
| Administrative functions | 198 | 176 | 183 |
| | 657 | 626 | 653 |

8. Revenue

Revenue represents income receivable from financial services provided to clients, interest on settlement accounts and management fees charged to clients. It relates to services provided in the UK and is stated net of value added tax. An analysis of the Group's revenue is as follows:

| | Unaudited 6 months ended 31 December 2011 | Unaudited 6 months ended 31 December 2010 | Audited Year to 30 June 2011 |
|----------------------------------|---|---|---------------------------------------|
| | £'000 | £'000 | £'000 |
| Revenue from services: | | | |
| Fees and charges | 87,530 | 80,649 | 171,012 |
| Interest and similar income | 23,086 | 14,691 | 33,107 |
| Subscriptions and sundry charges | 2,264 | 1,614 | 3,785 |
| Total operating income | 112,880 | 96,954 | 207,904 |

Notes to the Condensed Consolidated Financial Statements

9. Investment revenues

| | Unaudited 6 months ended 31 December 2011 | Unaudited 6 months ended 31 December 2010 | Audited Year to 30 June 2011 |
|----------------------------------|---|---|---------------------------------------|
| | £'000 | £'000 | £'000 |
| Interest on bank deposits | 875 | 638 | 1,443 |
| Dividends from equity investment | - | 2 | 53 |
| | 875 | 640 | 1,496 |

10. Other gains

| | Unaudited 6 months ended 31 December 2011 | Unaudited 6 months ended 31 December 2010 | Audited Year to 30 June 2011 |
|--|---|---|---------------------------------------|
| | £'000 | £'000 | £'000 |
| Gain on disposal of non-current assets | 1 | 2 | 72 |

11. Tax

| | Unaudited 6 months ended 31 December 2011 | Unaudited 6 months ended 31 December 2010 | Audited Year to 30 June 2011 |
|---|---|---|---------------------------------------|
| | £'000 | £'000 | £'000 |
| The tax charge for the period is based on the anticipated effective rate of tax for the year to 30 June 2012 of 26.03% (30 June 2011: 27.7%). | | | |
| Current tax | 19,209 | 15,501 | 34,732 |
| Deferred tax | (168) | 128 | (666) |
| | 19,041 | 15,629 | 34,066 |

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

| | Unaudited 6 months ended 31 December 2011 | Unaudited 6 months ended 31 December 2010 | Audited Year to 30 June 2011 |
|---|---|---|---------------------------------------|
| | £'000 | £'000 | £'000 |
| Deferred tax relating to share-based payments | (2,610) | 3,113 | 4,510 |
| Current tax relief on exercise of share options | (1) | - | - |
| | (2,611) | 3,113 | 4,510 |

Notes to the Condensed Consolidated Financial Statements

12. Dividends paid

| | Unaudited 6 months ended 31 December 2011 | Unaudited 6 months ended 31 December 2010 | Audited Year to 30 June 2011 |
|--|---|---|---------------------------------------|
| | £'000 | £'000 | £'000 |
| Amounts paid and recognised as distributions to equity holders in the period: | | | |
| 2011 Final dividend of 8.41p per share | 38,947 | - | - |
| 2011 Special dividend of 5.96p per share | 27,601 | - | - |
| 2011 Interim dividend of 4.5p per share | - | - | 20,837 |
| 2010 Final dividend of 0.58p per share | - | 2,688 | 2,688 |
| 2010 Special dividend of 1.70p per share | - | 7,879 | 7,879 |

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

| | Unaudited 6 months ended 31 December 2011 | Unaudited 6 months ended 31 December 2010 | Audited Year to 30 June 2011 |
|---|---|---|---------------------------------------|
| Number of shares held by the Hargreaves Lansdown Employee Benefit Trust (HL EBT) | 11,108,038 | 11,142,833 | 11,214,774 |
| Representing % of called-up share capital | 2.34% | 2.35% | 2.36% |

13. 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 issue during the period, including ordinary shares held in the EBT reserve which have not vested unconditionally with employees.

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

Underlying basic earnings per share and underlying diluted earnings per share are calculated as for basic and diluted earnings per share, but using an underlying earnings figure such that the profit attributable to equity holders of the Company is stated before investment gains, one-off costs relating to the new office and before the additional FSCS levy. The directors consider that the underlying earnings per share represent a more consistent measure of underlying performance.

| | Unaudited 6 months ended 31 December 2011 | Unaudited 6 months ended 31 December 2010 | Audited Year to 30 June 2011 |
|---|---|---|---------------------------------------|
| | £'000 | £'000 | £'000 |
| Earnings (all from continuing operations) | | | |
| Earnings for the purposes of basic and diluted EPS being net profit attributable to equity holders of the Company | 52,774 | 40,606 | 91,820 |
| Other gains | (1) | (2) | (72) |
| Additional FSCS levy | - | 3,036 | 3,036 |
| Tax on FSCS levy | - | (844) | (844) |
| Earnings for the purpose of underlying basic and underlying diluted EPS | 52,773 | 42,796 | 93,940 |

Notes to the Condensed Consolidated Financial Statements

13. Earnings per share (EPS) (continued)

| | Number | Number | Number |
|--|--------------|--------------|--------------|
| Number of shares | | | |
| Weighted average number of ordinary shares for the purposes of diluted EPS | 468,767,423 | 470,183,253 | 469,074,636 |
| Shares held by HL EBT which have not vested unconditionally with employees | (5,461,307) | (6,634,702) | (5,831,871) |
| Weighted average number of ordinary shares for the purposes of basic EPS | 463,306,116 | 463,548,551 | 463,242,765 |
| | Pence | Pence | Pence |
| Basic EPS | 11.4 | 8.8 | 19.8 |
| Diluted EPS | 11.3 | 8.6 | 19.6 |
| Underlying basic EPS | 11.4 | 9.2 | 20.3 |
| Underlying diluted EPS | 11.3 | 9.1 | 20.0 |

14. Investments

| | Unaudited 6 months ended 31 December 2011 | Unaudited 6 months ended 31 December 2010 | Audited Year to 30 June 2011 |
|---|---|---|---------------------------------------|
| | £'000 | £'000 | £'000 |
| At beginning of period | 2,240 | 2,322 | 2,322 |
| Sales | (71) | (14) | (121) |
| Net (decrease)/increase in value of available-for-sale investments | (4) | 27 | 39 |
| At end of period | 2,165 | 2,335 | 2,240 |
| Comprising: | | | |
| Current asset investment - UK listed securities valued at quoted market price | 1,424 | 1,594 | 1,499 |
| Current asset investment - Unlisted securities valued at cost | 741 | 741 | 741 |

£279,000 (31 December 2010: £457,000, 30 June 2011: £350,000) of investments are classified as held at fair value through profit and loss and £1,886,000 (31 December 2010: £1,878,000, 30 June 2011: £1,890,000) are classified as available-for-sale. Available-for-sale investments have been included at fair value where a fair value can be reliably calculated, with the revaluation gains and losses reflected in the investment revaluation reserve until sale when the cumulative gain or loss is transferred to the income statement. If a fair value cannot be reliably calculated by reference to a quoted market price or other method of valuation, available-for-sale investments are included at cost where the directors believe that this is not significantly different to fair value, with a fair value adjustment recognised upon disposal of the investment.

15. Other financial assets

| | Unaudited 6 months ended 31 December 2011 | Unaudited 6 months ended 31 December 2010 | Audited Year to 30 June 2011 |
|------------------------------------|---|---|---------------------------------------|
| Trade and other receivables | £'000 | £'000 | £'000 |
| Trade receivables | 72,025 | 113,488 | 147,738 |
| Other receivables | 475 | 429 | 218 |
| Prepayments and accrued income | 29,139 | 17,744 | 28,222 |
| | 101,639 | 131,661 | 176,178 |

Notes to the Condensed Consolidated Financial Statements

15. Other financial assets (continued)

Trade receivables are measured at initial recognition at fair value. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. In accordance with market practice, certain balances with clients, Stock Exchange member firms and other counterparties totalling £60.2 million (31 December 2010: £99.0 million, 30 June 2011: £134.3 million) are included in trade receivables.

| | Unaudited 6 months ended 31 December 2011 | Unaudited 6 months ended 31 December 2010 | Audited Year to 30 June 2011 |
|--|---|---|---------------------------------------|
| | £'000 | £'000 | £'000 |
| Cash and cash equivalents | | | |
| Cash and cash equivalents | 112,075 | 98,452 | 121,951 |
| Comprising: | | | |
| Restricted cash - client settlement account balances | 10,354 | 10,874 | 13,538 |
| Restricted cash - balances held by Hargreaves Lansdown EBT | 450 | 1,160 | 469 |
| Group cash and cash equivalent balances | 101,271 | 86,418 | 107,944 |

Cash and cash equivalents comprise cash held by the Group and institutional cash funds with near-instant access. Included in cash and cash equivalents are amounts of cash held on client settlement accounts as shown above.

At 31 December 2011 segregated deposit amounts held by the Group on behalf of clients in accordance with the client money rules of the Financial Services Authority amounted to £2,615 million (31 December 2010: £2,063 million, 30 June 2011: £2,248 million).

16. Other financial liabilities

| | Unaudited 6 months ended 31 December 2011 | Unaudited 6 months ended 31 December 2010 | Audited Year to 30 June 2011 |
|---------------------------------|---|---|---------------------------------------|
| | £'000 | £'000 | £'000 |
| Trade and other payables | | | |
| Current payables | | | |
| Trade payables | 70,846 | 108,046 | 147,450 |
| Social security and other taxes | 1,654 | 1,828 | 3,359 |
| Other payables | 12,425 | 8,894 | 4,950 |
| Accruals and deferred income | 9,534 | 13,509 | 11,680 |
| | 94,459 | 132,277 | 167,439 |

In accordance with market practice, certain balances with clients, Stock Exchange member firms and other counterparties totalling £69.9 million (31 December 2010: £107.4 million, 30 June 2011: £146.7 million) are included in trade payables. Accruals and other payables principally comprise amounts outstanding for trade purchases and ongoing costs.

17. Share capital

| | Unaudited 6 months ended 31 December 2011 | Unaudited 6 months ended 31 December 2010 | Audited Year to 30 June 2011 |
|-----------------------------------|---|---|---------------------------------------|
| | £'000 | £'000 | £'000 |
| Issued and fully paid: | | | |
| Ordinary shares of 0.4p | 1,897 | 1,897 | 1,897 |
| | 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.

Notes to the Condensed Consolidated Financial Statements

18. Notes to the cash flow statement

| | Unaudited 6 months ended 31 December 2011 | Unaudited 6 months ended 31 December 2010 | Audited Year to 30 June 2011 |
|---|---|---|---------------------------------------|
| | £'000 | £'000 | £'000 |
| Profit for the period after tax | 52,914 | 40,643 | 91,947 |
| Adjustments for: | | | |
| Investment revenues | (875) | (640) | (1,496) |
| Other gains | (1) | (2) | (72) |
| Income tax expense | 19,041 | 15,629 | 34,066 |
| Depreciation of plant and equipment | 1,025 | 896 | 2,055 |
| Amortisation of intangible assets | 118 | 98 | 263 |
| Share-based payment expense | 1,142 | 690 | 1,618 |
| Increase/(decrease) in provisions | 62 | (375) | (839) |
| Operating cash flows before movements in working capital | 73,426 | 56,939 | 127,542 |
| Decrease/(Increase) in receivables | 74,539 | (27,487) | (72,004) |
| (Decrease)/increase in payables | (72,980) | 23,585 | 58,748 |
| Cash generated by operations | 74,985 | 53,037 | 114,286 |
| Income taxes paid | (18,833) | (13,161) | (30,029) |
| Net cash from operating activities after tax | 56,152 | 39,876 | 84,257 |

19. Related party transactions

The Group has a related party relationship with its subsidiaries, and 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 26 to the 2011 Annual Report.

Directors, Company Secretary, Advisers and Shareholder Information

EXECUTIVE DIRECTORS

Ian Gorham
Peter Hargreaves
Tracey Taylor

NON-EXECUTIVE DIRECTORS

Michael Evans
Chris Barling
Jonathan Bloomer
Stephen Lansdown
Dharmash Mistry
Stephen Robertson

COMPANY SECRETARY

Judy Matthews

AUDITOR

Deloitte LLP, Bristol

SOLICITORS

Burges Salmon LLP, Bristol

PRINCIPAL BANKERS

Lloyds TSB Bank plc, Bristol

BROKERS

Citigroup Global Markets Limited
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 2011/12

| | First dividend (interim) | Second dividend |
|-------------------|-----------------------------|---------------------------------|
| Ex-dividend date* | 14 th March 2012 | 12 th September 2012 |
| Record date** | 16 th March 2012 | 14 th September 2012 |
| Payment date | 11 th April 2012 | 28 th September 2012 |

* 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.