Hargreaves Lansdown plc
Interim results for the six months ended 31 December 2017

Hargreaves Lansdown plc ("HL" or "the Group") today announces interim results for the six month period ended 31 December 2017.

Highlights

- Net new business of £3.34 billion*.
- Assets under administration up 9% since 30 June 2017 to £86.1 billion.
- 1,015,000 active clients, an increase of 61,000 since 30 June 2017.
- Profit before tax increase of 12% to £146.9 million.
- Interim dividend up 17% to 10.1 pence per share (H1 2017: 8.6p)

Chris Hill, Chief Executive Officer, commented:

"I'm pleased to report another strong period of growth for Hargreaves Lansdown for client numbers, revenue and profit. We have a significant market opportunity with a clear strategy focused on our clients' needs and offering great value and service to them. Our aim of making it easy and efficient for clients to manage their savings and investments in a secure environment and empowering them to save and invest with confidence is at the heart of our business, and was reflected in our continued growth during the first half of our 2018 financial year."

Financial highlights	**6 months ended 31 December 2017**	6 months ended 31 December 2016	**Change %**	Year ended 30 June 2017
	(H1 2018)	(H1 2017)		(FY 2017)
Net new business*	**£3.34bn**	£2.34bn	**+43%**	£6.9bn
Total assets under administration (AUA)	**£86.1bn**	£70.0bn	**+23%**	£79.2bn
Net revenue	**£216.0m**	£184.8m	**+17%**	£385.6m
Profit before tax	**£146.9m**	£131.0m	**+12%**	£265.8m
Diluted earnings per share	**25.0p**	22.4p	**+12%**	44.6p
Interim dividend per share	**10.1p**	8.60p	**+17%**	8.60p

* Excludes the transfer off the Vantage platform of £902m of Hargreaves Lansdown plc shares and the withdrawal of £56 million of Hargreaves Lansdown plc placing proceeds during the period that were held by a founder.
** Net revenue is total revenue less commission payable / loyalty bonus (see Glossary of alternative performance measures on page 24)

Contacts:

Hargreaves Lansdown
For media enquiries:
Danny Cox, Head of Communications
+44(0)117 317 1638
Chris Hill, Chief Executive Officer

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

Analyst presentation

Hargreaves Lansdown will be hosting an analyst presentation at 9.00am on 6 February 2018 following the release of these results for the half year ended 31 December 2017. Attendance is by invitation only. A conference call facility will be in place with the following participant dial-in numbers – UK toll free 0800 640 6441, UK (local) 020 3936 2999 and all other locations +44 20 3936 2999. The participant access code is 024358. Slides accompanying the analyst presentation will be available at www.hl.co.uk/investor-relations and an audio recording of the analyst presentation will be available by close of business on the day.

The Interim Results contain forward-looking statements which have been made in good faith based on the information available to us at the time of the approval of this report and should be treated with caution due to the inherent risks and uncertainties, including both economic and business risk factors some of which were set out in the 2017 Annual Report, underlying such forward-looking information.

Unless otherwise stated, all figures below refer to the six months ended 31 December 2017 ("H1 2018"). Comparative figures are for the six months ended 31 December 2016 ("H1 2017"). Certain figures contained in this document, including financial information, have been subject to rounding adjustments. Accordingly, in certain instances the sum of the numbers in a column or a row in tables contained in this document may not conform exactly to the total figure given for that column or row.

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Chief Executive's Statement

Growth in assets and clients

Hargreaves Lansdown made significant progress in the first half of our 2018 financial year with strong net new business, continued profit growth and the ongoing delivery of our strategy built around empowering people to save and invest with confidence.

Underlying net new business during the period was £3.3 billion[1], helping AUA increase to £86.1 billion, up 9 per cent since 30 June 2017 (£79.2 billion). This was driven by increased client numbers, the positive market environment and wealth consolidation onto our platform.

At our full year results presentation, we outlined the opportunity for Hargreaves Lansdown across the wider private wealth market. We remain excited about this opportunity and we were pleased to welcome 61,000 net new clients during the period. It was a proud moment for us all when we celebrated reaching the one million active client mark in November 2017. Total active clients now stand at 1,015,000.

Our leading reputation for client service and the breadth of our offering appeal to new clients who, in common with our existing clients, transfer and consolidate their investments onto a single platform and then regularly contribute and take advantage of their annual allowances as they build their own and their family's wealth. Our proposition and scale also enables us to help fund managers in transferring direct back books and we were pleased to welcome clients arriving from BlackRock in the period and Old Mutual due later this year. We should also recognise that operational issues on a competitor platform resulted in significant levels of transfer activity across the period.

Investing in our clients

Our people, marketing and technology are key to delivering a high quality service for clients and in building our brand and reputation. We have consciously increased the rate of investment over the past year to support higher levels of customer activity, deepen our marketing skills, improve our technological development capacity and broaden our offering, all whilst maintaining compliance with significant regulatory change.

We look to develop a lifelong relationship with all our clients, and hence satisfaction and retention are key measures for us. The client retention rate has remained very high at 94.5% and we constantly look at evolving these measures in order to give us greater insight into client expectations and service levels.

Despite a small increase in interest rates, and low overall confidence in the UK, clients continue to invest elsewhere with confidence in order to generate returns and flows have been directed towards overseas markets. Activity levels are up significantly with the Helpdesk regularly handling call levels more than 18% higher than last year, and client instructions averaging one million a month. These are all record levels. We have increased the number of our colleagues in these important client facing roles throughout the period to meet this demand.

Our clients have also needed us to help them through the changes brought about as a result of MiFID II regulation and we believe this has increased our call activity over 50% at times. The transfers of direct books and activity as a result of operational issues on competitor platforms have also been successfully dealt with. All of these outcomes are testament to our strong culture focused around our clients and our dedicated people.

Having restructured our marketing team last year, they have been focused on improving the effectiveness of spend across our channels through a deeper understanding of client segmentation, the client proposition and the content they deliver. In addition, much work has been undertaken on how we deliver our vision of becoming a household name in the UK and, as part of that, we will be launching our updated brand and visual identity this weekend. Clients and those using our website will see a refreshed visual identity but, most importantly, we are using this as an opportunity to develop and expand our tone of voice to complement our broader reach. Our digital presence has continued to expand and develop and we recognise the need to match our approach to the broader range of people with whom we are now building a relationship.

Many improvements to our service are born from listening to the needs of different groups of clients and analysing their activity. We notice an increasing requirement from clients to understand the income produced by their portfolio, particularly as they approach retirement. Our analysis has led to the creation of a new income tab with the objective to provide better visibility and understanding. This resulted in a dramatic change on the Net Ease score for 'finding income on your account' and 'understanding the income on your account' from close to 0% to over 50%.

In order to address the evolving needs of our clients, we are investing in our capability to deliver technological change faster and in a more agile manner, hence our decision a year ago to set up a second IT hub in Warsaw. Over the last six months we have built out our HL Tech team there to 50 people. They are now working closely with the Bristol IT team to push our service forward at a faster pace, with a particular focus on improving our operational capabilities and efficiency.

We were pleased to launch Active Savings, our cash management service, in December 2017. We intend to grow this service through the first half of 2018 via a measured rollout, which has begun with an initial 1,000 clients invited to sign up in January. Although it has taken longer to launch than originally planned, we believe it will make the management of cash savings simpler and easier than ever before, all at the same levels of client service as the rest of our offering. Further developments are planned through 2018 and beyond, including the addition of further banks, easy access accounts and the ISA and SIPP cash capabilities into the service.

As mentioned above, throughout the period we have been busy working on various regulatory requirements such as MiFID II, PRIIPs, PSD2 and GDPR. I believe that our financial services sector is experiencing an unprecedented level of regulatory change. Meeting these requirements is onerous and requires significant planning, development and implementation work across the business in order to meet the deadlines, with consequent additional costs. However, we do believe effective regulation is important to protect consumers and maintain confidence in the financial services industry and we will always work tirelessly to represent our clients' interests. Our strong balance sheet and market-leading positions mean we are well placed to face these challenges.

Financial results

Consistent net new business, delivered at constant revenue margins, and higher markets have driven net revenues forward by 17% in the period to £216.0 million (H1 2017: £184.8m). This has given us confidence to invest in supporting client service across a period of high customer activity as well as delivering future sources of growth such as Active Savings. Profit before tax increased by 12% to £146.9 million (H1 2017: £131.0m).

Dividend

The Board believes the Group has sufficiently strong profitability, liquidity and capital positions to execute its strategy without financial constraints and to operate a sustainable and progressive ordinary dividend policy going forward. Given the confidence that we have in our business model and a desire to rebalance increases in the ordinary dividend more towards the interim payment in 2018, the Board has therefore declared a 17% rise in the interim dividend to 10.1 pence per share. The Board remains committed to paying special dividends when sufficient excess cash and capital exist after taking account of the Group's growth, investment and regulatory capital requirements of the time.

Board changes

Mike Evans announced his intention to stand down as Chairman of the Group in May 2017 once a successor had been appointed. A sub-committee of the Nomination Committee, led by our Senior Independent Director Chris Barling, oversaw an extensive search and rigorous assessment process and I am delighted that following regulatory approval Deanna Oppenheimer was appointed as a Director on 2 February 2018 and will become Chair as from 7 February 2018. I would like to thank Mike for his significant contribution as a non-executive Director since 2006 and as Chairman since 2009. Under his guidance the Group has become a successful FTSE 100 business combining strong client focus with high service standards. I thank him also for his support in a process that has seen us strengthen our Board with the appropriate skills, knowledge, experience and diversity to lead the business in its next phase of growth. On behalf of all the Directors and my colleagues, we wish Mike well for his future.

During the period, the Board welcomed Fiona Clutterbuck and Roger Perkin as new independent non-executive Directors. As from 1 January 2018 they were appointed as Chairs of the Remuneration and Audit Committee respectively. On the same date, Shirley Garrood was appointed as Chair of the Risk Committee and, following the completion of the Chair appointment process, she will become Senior Independent Director on 7 February 2018 upon the retirement of Chris Barling. Chris has made a significant contribution to the Board since 2010 with his entrepreneurial and technology experience and, having led the Chair search through to completion, we wish him well. These changes strengthen our Board with the appropriate skills, knowledge, experience and diversity to lead the business in its next phase of growth.

Outlook

There is a significant market growth opportunity as a result of the long term savings gap and increasing requirement for individuals to have greater involvement in their savings and investments. Our purpose is to empower people to save and invest with confidence. We believe that continuing to place our clients at the centre of what we do: offering them great value and service; making it easy and efficient for them to manage their savings and investments in a secure environment; and establishing a lifelong relationship with them will enable us to continue to build more share in this growing market.

The second half of our trading year is traditionally our stronger half for new business, including as it does the tax year-end, which acts as a natural incentive for clients to use tax allowances. Given the geopolitical backdrop and Brexit uncertainty, levels of new business will be influenced by evolving investor sentiment and stock market levels. As usual, the second half of the year will be impacted by the Financial Services Compensation Scheme levy which for last year resulted in a final charge of £4.2 million.

I would like to thank our clients for their continued support and recommendation and I would also like to recognise my colleagues for their hard work and commitment. Not only have they continued to deliver the levels of client service for which Hargreaves Lansdown is recognised in the face of significant increases in activity, but also they have delivered solutions to new regulatory requirements as well as new services which will underpin our future growth.

Chris Hill
Chief Executive Officer

[1] Underlying net new business excludes the transfer off the Vantage platform of £902 million of Hargreaves Lansdown plc shares and the withdrawal of £56 million of Hargreaves Lansdown plc placing proceeds during the period that were held by a founder.

Financial Review

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

	Unaudited 3 months to 30 September 2017	Unaudited 3 months to 31 December 2017	**Unaudited 6 months ended 31 December 2017**
Opening AUA	79.2	82.0	**79.2**
Underlying NNB	1.5	1.8	**3.3**
Market growth & other	1.3	3.3	**4.6**
Founder transfers[1]	-	(1.0)	**(1.0)**
Closing AUA	82.0	86.1	**86.1**

[1] Underlying net new business excludes the transfer off the Vantage platform of £902 million of Hargreaves Lansdown plc shares and the withdrawal of £56 million of Hargreaves Lansdown plc placing proceeds during the period that were held by a founder.

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 a strong first half of the year for net new business and growth in AUA.

Underlying net new business for the first half totalled £3.3 billion. This was driven by increased client numbers, the positive market environment and continued wealth consolidation onto our platform. We also benefited in both the first and second quarters from significant transfer activity relating to operational issues on a competitor platform, which shows the benefit of our strong reputation for client service. We introduced 61,000 net new clients to our services in the six months to 31 December 2017 and grew our active client base by a further 6% to 1,015,000.

Total AUA increased by 9% to £86.1 billion as at 31 December 2017 (£79.2 bn as at 30 June 2017). This was driven by £3.3 billion of underlying net new business (H1 2017: £2.3bn), the positive impact of stock market growth and excludes the £1.0 billion one-off transfer and withdrawal of assets by a founder. The transfer and withdrawal have no impact on revenue as they were previously within his Fund and Share account which makes no charge for holding shares.

Income Statement

	Unaudited 6 months ended 31 December 2017 £m	Unaudited 6 months ended 31 December 2016 £m	Audited Year to 30 June 2017 £m
Net revenue	**216.0**	184.8	385.6
Operating costs	**(70.9)**	(54.4)	(126.7)
Fair value gains on derivatives	**1.1**	-	2.2
Non-operating income	**0.7**	0.5	4.7
Profit before tax	**146.9**	130.9	265.8
Tax	**(27.9)**	(24.6)	(53.8)
Profit after tax	**119.0**	106.3	212.0

Net revenue

Total net revenue for the period was up 17% to £216.0 million (H1 17: £184.8 million), driven by higher average AUA and increased client share dealing activity. Average AUA for the period was up 23% outperforming a 9% increase in the average FTSE All Share due to the impact of strong net new business. Net revenue growth was slightly below the rate of AUA growth due to reduced cash margins, in line with our expectations and as communicated in the full year results, as the impact of the August 2016 base rate cut worked through the annual cash placing cycle, and flat revenues from our ancillary business lines whose income is not correlated to AUA levels.

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

	6 months ended 31 December 2017			6 months ended 31 December 2016			Year ended 30 June 2017		
	Net revenue £m	**Average AUA £bn**	**Net revenue margin bps**	Net revenue £m	Average AUA £bn	Net revenue margin bps	Net revenue £m	Average AUA £bn	Net revenue margin bps
Funds[1]	**97.8**	**47.4[6]**	**41**	80.5	38.4[6]	42	169.2	40.9[6]	41
Shares[2]	**42.9**	**27.3**	**31**	36.2	21.9	33	76.3	23.3	33
Cash[3]	**18.2**	**8.4**	**43**	18.6	7.3	51	36.6	7.5	49
HL Funds[4]	**33.3**	**9.0[6]**	**74**	26.3	7.0[6]	75	56.5	7.7[6]	73
Other[5]	**23.8**	**-**	**-**	23.2	-	-	47.0	-	-
Double-count[6]	**-**	**(9.0)[6]**	**-**	-	(7.0)[6]	-	-	(7.7)[6]	-
Total	**216.0**	**83.1[6]**	**-**	184.8	67.6[6]	-	385.6	71.7[6]	-

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

Net revenue on Funds increased by 21% to £97.8m (H1 17: £80.5m) due to AUA growth from net new business and higher market levels. Funds remain our largest client asset class at 57% of average AUA (H1 2017: 57%), and the net revenue margin earned on these in the period was 41bps (H1 2017: 42bps). The slight reduction relates to the tiered structure of the platform fee, with a greater value of fund portfolios increasing absolute pound note revenues whilst benefiting from the scale discounts and hence bringing the average margin down. Net 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 remainder of the financial year.

Net revenue on Shares increased by 19% to £42.9m (H1 17: £36.2m) and the net revenue margin was 31bps (H1 2017: 33bps), within our expected range of 27bps to 33bps. The decrease in margin was primarily due to the significant boost in dealing volumes which were experienced in the comparative period following the June 2016 EU Referendum, although volumes in the current financial year have remained high and are 8% ahead of H1 17 in absolute terms. Management fees charged in the SIPP and Stocks and Share ISA accounts are capped once holdings are above £44,444 in the SIPP and £10,000 in the ISA. This also causes some dilution to the margin over time as clients grow their portfolio of shares. Shares account for 33% of the average AUA (H1 2017: 32%) and we continue to expect the margin on Shares to be centred around 30bps over the remainder of the financial year, with a range around this depending on actual dealing volume levels.

Net revenue on Cash fell by 2% to £18.2m (H1 17: £18.6m) as increased AUA levels were offset by a decline in the net interest margin to 43bps (H1 2017 51bps). This was in line with our communicated expectations at the start of the year that margins would be within a 35 to 45bp range for the period following the Bank of England base rate reduction from 0.50% to 0.25% in August 2016. The financial impact of this rate reduction is spread given that the majority of clients' SIPP money is placed on rolling 13 month term deposits. In November 2017, the Bank of England increased the rate back up to 0.50% but again the full impact will take over a year to flow through. Cash accounts for 10% of average AUA (H1 2017: 11%) and, assuming there are no further rate changes, we anticipate the net interest margin on Cash for the 2018 financial year will now be in the range of 40bps to 50bps.

HL Funds consist of ten Multi-Manager funds, on which the management fee is 75bps per annum, and two Select equity funds, on which the management fee is 60bps. Net revenue from HL Funds has grown by 27% this year to £33.3m (H1 17: £26.3m) following the launch of our two Select funds in December 2016 and March 2017, rising markets and continued net inflows. These fees are collected on a daily basis whereas the Group calculates average AUM on a month end basis. The mathematical impact of this has offset the mix effect, resulting in a headline margin for the period of 74bps (H1 17: 75bps). Please note that the platform fees on these assets are included in the Funds line and hence total average AUA of £83.1 billion (H1 2017: £67.6bn) excludes HL Funds AUM to avoid double-counting.

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

	Unaudited 6 months ended 31 December 2017 £m	Unaudited 6 months ended 31 December 2016 £m	Audited Year to 30 June 2017 £m
Net recurring revenue	**167.7**	141.9	296.9
Transactional revenue	**44.3**	39.2	81.2
Other revenue	**4.0**	3.7	7.5
Total net revenue	**216.0**	184.8	385.6

The Group's revenues are largely recurring in nature, as shown in the table above, with the proportion of net recurring revenues increasing slightly to 78% in the period (H1 17: 77%). Net recurring revenue is primarily comprised of platform fees, Hargreaves Lansdown fund management fees, interest on client money, equity holding charges and advisory fees. This grew by 18% to £167.7 million (H1 17: £141.9 million) due to increased average AUA from higher market levels and continued net new business. 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 grew by 13% to £44.3 million (H1 17: £39.2 million) with increased equity deal volumes being the key driver.

Other revenue is derived from the provision of funds data services and research to external parties through Funds Library. This was up 8% from £3.7 million to £4.0 million driven by new Solvency II and MiFID II services.

Operating costs

	Unaudited 6 months ended 31 December 2017 £m	Unaudited 6 months ended 31 December 2016 £m	Audited Year ended 30 June 2017 £m
Staff costs	**41.8**	31.9	68.6
Marketing and distribution costs	**6.9**	5.8	14.3
Depreciation, amortisation & financial costs	**4.4**	3.3	9.0
Other costs	**18.1**	13.7	30.6
	71.2	54.7	122.5
Total FSCS levy	(0.3)	(0.3)	4.2
Total operating costs	**70.9**	54.4	126.7

As highlighted in the full-year results, we consciously and significantly increased our investment in people, digital marketing and technology during the 2017 financial year as we believe the Group's focus on client service is core to our success as a business and necessary to position us to capture the structural growth opportunity in the UK savings and investments market. This has been validated by the strong net new business levels we have seen across the past 12 months, high client retention rates and continued development of our product set and growth capabilities during the period. We have also had to cope with an unprecedented level of regulatory changes whilst investing to maintain the future scalability of our platform behind the scenes. The increase in the cost run-rate moderated during the first half of 2018 and, excluding the FSCS levy, operating costs increased by 5% to £71.2 million versus £67.8 million in the second half of last year. However, versus the comparable H1 2017 period where significant increases in post-Brexit client activity levels caused us to be under-resourced and fall short of our internal service expectations, operating costs are up 30%.

Staff costs rose by 31% to £41.8 million (H1 2017: £31.9 million). Average staff numbers increased by 35% from 970 in H1 17 to 1,310 in H1 18 with the key increases being in Technology, including the build out of HL Tech in Warsaw, Helpdesk and Operations, in line with higher client activity levels, and Marketing as we expand our capabilities.

Marketing and distribution costs increased by 19% to £6.9 million (H1 2017: £5.8 million) as we invest in our digital marketing presence and various marketing opportunities that proved successful in the second half of last year. Use of mobile and digital media remains a key strategic focus of how we engage with existing and potential new clients and as we gain a deeper understanding of clients and our proposition we can refine and improve the effectiveness of spend. Following significant research and testing, we are launching our updated brand and new visual identity on 10 February 2018, which should further improve client engagement and drive the profile of Hargreaves Lansdown.

Depreciation, amortisation and financial costs increased by £1.1 million as a result of higher capital spend in recent years, primarily on our core in-house IT systems.

Total capitalised expenditure in the period was £6.0 million (2016: £5.0 million). This expenditure was primarily for cyclical replacement of IT hardware, the continued project to enhance the capacity and capability of our key administration systems and the ongoing development of Active Savings.

Other costs rose by £4.4 million to £18.1 million (H1 2017: £13.7 million). The key drivers of this were additional dealing costs resulting from higher share dealing transaction volumes, increased computer maintenance and office costs driven by higher employee numbers, and irrecoverable VAT on non-staff expenses.

The Financial Services Compensation Scheme (FSCS) levy is typically charged in the second half of the year so ordinarily there is no charge in the first half, however, an over accrual for the charge last year gave rise to a credit of £0.3 million. In the prior year comparative period, a rebate of £0.3 million was received. The FSCS is the compensation fund of last resort for customers of authorised financial services firms. All authorised firms are required to contribute to the running of the scheme and the levy reflects the cost of compensation payments paid by the industry in proportion to the amount of each participant's relevant eligible income. As usual, the second half of the year will be impacted by the Financial Services Compensation Scheme levy, which for last year resulted in a final charge of £4.2 million.

Profit before tax

Hargreaves Lansdown's success is built around the service we provide to our clients. In the past 12 months we have consciously increased headcount to ensure we deliver the expected high service standards, while dealing with record volumes of business and investing in further growth opportunities. Despite this, the Group has grown profit before tax by 12% to £146.9 million (H1 2017: £131.0 million) and maintained its operating margins at an industry leading level of 68% (H1 17: 71%), consistent with the full year 2017 outcome of 68%. This investment is key to driving future growth and ensuring we have a scalable operating platform which we believe will be to the benefit of both clients and shareholders across the market cycle.

Tax

The effective tax rate for the period was 19.0% (H1 2017: 18.8%), in line with the standard rate of UK corporation tax. The Group's tax strategy is published on our website at http://www.hl.co.uk

Earnings per share

	Unaudited 6 months ended 31 December 2017 £m	Unaudited 6 months ended 31 December 2016 £m	Audited Year to 30 June 2017 £m
Operating profit	**146.2**	130.5	261.1
Finance income	**0.7**	0.4	1.2
Other gains	**-**	0.1	3.5
Profit before tax	**146.9**	131.0	265.8
Tax	**(27.9)**	(24.6)	(53.8)
Profit after tax	**119.0**	106.4	212.0
Diluted share capital (million)	**475.2**	474.3	474.7
Diluted EPS (pence per share)	**25.0**	22.4	44.6

Diluted EPS increased by 12% from 22.4 pence to 25.0 pence, reflecting the Group's strong trading performance. The Group's basic EPS was 25.0 pence, compared with 22.4 pence in H1 2017.

Capital and liquidity management

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

The Group seeks to maintain a strong net cash position and a robust balance sheet with sufficient capital and liquidity to fund ongoing trading and future growth, in line with our strategy of offering a lifelong, secure home for people's savings and investments. The Group has a high conversion rate of operating profits to cash and its net cash position at 31 December 2017 was £275.1 million (H1 2017: £189.8 million) as cash generated through trading offset the payments of the 2017 final dividend. This includes cash on longer-term deposit and is before funding the 2018 interim dividend of £47.9 million. During the period, the Group entered into 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.

Capital is defined as the total of share capital, share premium, retained earnings and other reserves. As at 31 December 2017, Capital increased to £333.1 million (H1 2017: £236.5 million) as continued profitability and the Board's decision to retain additional capital resources following the reassessment of the Group's regulatory capital requirements by the FCA in August 2017 more than offset payment of the 2017 final dividend. The Group has four subsidiary companies authorised and regulated by the Financial Conduct Authority. These firms have capital resources at a level which satisfies both their regulatory capital requirements and their working capital requirements and, as a group, we maintain a robust balance sheet retaining a capital base over and above regulatory capital requirements. Further disclosures are published in the Pillar 3 document on the Group's website at www.hl.co.uk.

Dividend

Hargreaves Lansdown has a progressive ordinary dividend policy. The Board considers the dividend on a total basis, with the intention of maintaining the ordinary payout ratio at around 65% across the market cycle and looking to return excess cash to shareholders in the form of a special dividend after the year-end. Any such return will be determined according to market conditions and after taking account of the Group's growth, investment and regulatory capital requirements at the time.

The Board is confident that Hargreaves Lansdown has sufficiently strong financial, liquidity and capital positions to execute its strategy without constraints and can operate a sustainable and progressive ordinary dividend policy going forward. The Board therefore remains committed to the potential payment of a special dividend for the 2018 financial year should sufficient excess cash and capital exist after taking account of market conditions and the Group's growth, investment and prospective regulatory requirements after year end.

In looking to maintain an appropriate balance between interim and full-year ordinary dividends, the Board has declared an increased interim dividend of 10.1 pence per share (H1 2017: 8.6p). The interim dividend will be paid on 9 March 2018 to all shareholders on the register at 16 February 2018.

Responsibility Statement

Directors Responsibility Statement

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

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

The Directors of Hargreaves Lansdown plc are listed on page 23 of the Interim Report and Condensed Consolidated Financial Statements 6 months ended 31 December 2017.

By order of the Board:

Philip Johnson
Chief Financial Officer
5 February 2018

Independent Review Report to Hargreaves Lansdown plc

Report on the condensed consolidated financial statements

Our conclusion

We have reviewed Hargreaves Lansdown plc's condensed consolidated financial statements (the "interim financial statements") in the Interim Report and Condensed Consolidated Financial Statements of Hargreaves Lansdown plc for the 6 month period ended 31 December 2017. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The interim financial statements comprise:

- the Condensed Consolidated Statement of Financial Position as at 31 December 2017;
- the Condensed Consolidated Statement of Comprehensive Income for the period then ended;
- the Condensed Consolidated Statement of Cash Flows for the period then ended;
- the Condensed Consolidated Statement of Changes in Equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the Interim Report and Condensed Consolidated Financial Statements have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

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

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the Directors

The Interim Report and Condensed Consolidated Financial Statements, including the interim financial statements, is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the Interim Report and Condensed Consolidated Financial Statements in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the Interim Report and Condensed Consolidated Financial Statements based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What a review of interim financial statements involves

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

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

We have read the other information contained in the Interim Report and Condensed Consolidated Financial Statements and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants
London
5 February 2018

a) The maintenance and integrity of the Hargreaves Lansdown plc website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the interim financial statements since they were initially presented on the website.

b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Section 1: Results for the year
Condensed Consolidated Statement of Comprehensive Income
for the period ended 31 December 2017

	Note	Unaudited 6 months ended 31 December 2017	Unaudited 6 months ended 31 December 2016	Audited Year to 30 June 2017
		£m	£m	£m
Revenue	1.1	216.1	184.9	385.7
Commission payable		(0.1)	(0.1)	(0.1)
Net revenue		216.0	184.8	385.6
Fair value gains on derivatives		1.1	-	2.2
Operating costs		(70.9)	(54.4)	(126.7)
Operating profit		146.2	130.4	261.1
Finance income	1.3	0.7	0.4	1.2
Other gains		-	0.1	3.5
Profit before tax		146.9	130.9	265.8
Tax	1.4	(27.9)	(24.6)	(53.8)
Profit for the period		119.0	106.3	212.0
Attributable to:				
Owners of the parent		118.8	106.0	211.7
Non-controlling interest		0.2	0.3	0.3
		119.0	106.3	212.0
Earnings per share (pence)	1.5			
Basic earnings per share		25.0	22.4	44.7
Diluted earnings per share		25.0	22.4	44.6

The results relate entirely to continuing operations.

After the balance sheet date, the Directors declared an ordinary interim dividend of 10.1 pence per share payable on 9 March 2018 to shareholders on the register at 16 February 2018.

	Unaudited 6 months ended 31 December 2017	Unaudited 6 months ended 31 December 2016	Audited Year to 30 June 2017
	£m	£m	£m
Profit for the period	119.0	106.3	212.0
Total comprehensive income for the financial period	119.0	106.3	212.0
Attributable to:			
Owners of the parent	118.8	106.0	211.7
Non-controlling interest	0.2	0.3	0.3
	119.0	106.3	212.0

Section 1: Results for the period
Notes to the Condensed Consolidated Statement of Comprehensive Income
for the period ended 31 December 2017

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. An analysis of the Group's revenue is as follows:

	Unaudited 6 months ended 31 December 2017	Unaudited 6 months ended 31 December 2016	Audited Year to 30 June 2017
Revenue	**£m**	**£m**	**£m**
Revenue from services	197.9	166.3	349.1
Interest earned on client money	18.2	18.6	36.6
Total revenue	216.1	184.9	385.7
Commission payable	(0.1)	(0.1)	(0.1)
Net revenue	216.0	184.8	385.6

1.2 Segment information

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

The executive committee review the activities of the Group as a single operating segment.

The Group does not operate in more than one location and, as a result, no geographical segments are reported.

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

1.3 Finance income

	Unaudited 6 months ended 31 December 2017	Unaudited 6 months ended 31 December 2016	Audited Year to 30 June 2017
	£m	£m	£m
Interest on bank deposits	0.7	0.4	1.0
Dividends from equity investment	-	-	0.2
	0.7	0.4	1.2

Section 1: Results for the period
Notes to the Condensed Consolidated Statement of Comprehensive Income
for the period ended 31 December 2017

1.4 Tax

The tax charge for the period is based on the prevailing effective standard rate of tax for the year to 30 June 2018 of 19.00% (30 June 2017: 19.75%).

	Unaudited 6 months ended 31 December 2017	Unaudited 6 months ended 31 December 2016	Audited Year to 30 June 2017
	£m	£m	£m
Current tax - on profits for the period	26.9	25.5	52.4
Current tax - adjustments in respect of prior years	-	0.1	1.6
Deferred tax	1.0	(1.0)	(0.4)
Deferred tax - adjustments in respect of prior years	-	-	0.1
Deferred tax: adjustments due to changes in tax rates	-	-	0.1
	27.9	24.6	53.8

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

	Unaudited 6 months ended 31 December 2017	Unaudited 6 months ended 31 December 2016	Audited Year to 30 June 2017
	£m	£m	£m
Deferred tax relating to share-based payments	(1.5)	0.4	0.9
Current tax relating to share-based payments	(0.8)	(0.3)	(1.5)
	(2.3)	0.1	(0.6)

1.5 Earnings per share (EPS)

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

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

The weighted average number of anti-dilutive share options and awards excluded from the calculation of diluted earnings per share was 153,168 as at 31 December 2017 (1,807,900 at 31 December 2016 and 1,213,461 at 30 June 2017).

	Unaudited 6 months ended 31 December 2017	**Unaudited 6 months ended 31 December 2016**	**Audited Year to 30 June 2017**
Earnings (all from continuing operations)	**£m**	**£m**	**£m**
Earnings for the purposes of basic and diluted EPS being net profit attributable to equity holders of the parent Company	118.8	106.0	211.7
Number of shares	**Number**	**Number**	**Number**
Weighted average number of ordinary shares	474,318,625	474,318,625	474,318,625
Weighted average number of shares held by HL EBT	(381,494)	(1,594,886)	(926,356)
Weighted average number of share options held by HL EBT which have vested unconditionally with employees	611,223	893,358	1,010,585
Weighted average number of shares for the purposes of basic EPS	474,548,354	473,617,097	474,402,854
Weighted average number of dilutive share options held by HL EBT that have not vested unconditionally with employees	668,003	731,379	562,587
Weighted average number of shares for the purpose of diluted EPS	475,216,357	474,348,476	474,965,441
Earnings per share	**Pence**	**Pence**	**Pence**
Basic EPS	25.0	22.4	44.7
Diluted EPS	25.0	22.4	44.6

Section 2: Assets & Liabilities
Condensed Consolidated Statement of Financial Position
for the period ended 31 December 2017

	Note	Unaudited at 31 December 2017 £m	Unaudited at 31 December 2016 £m	Audited at 30 June 2017 £m
ASSETS:				
Non-current assets				
Goodwill		1.3	1.3	1.3
Other intangible assets		13.9	9.3	11.9
Property, plant and equipment		12.1	10.9	11.7
Deferred tax assets		2.6	3.4	2.0
		29.9	24.9	26.9
Current assets				
Trade and other receivables	2.3	573.0	353.7	628.8
Cash and cash equivalents	2.4	104.2	192.7	81.4
Investments	2.2	0.9	1.8	4.1
Derivative financial instruments		0.2	-	0.3
		678.3	548.2	714.6
Total assets		708.2	573.1	741.5
LIABILITIES:				
Current liabilities				
Trade and other payables		354.5	314.0	411.5
Derivative financial instruments		0.1	-	0.2
Current tax liabilities		19.9	22.1	21.5
		374.5	336.1	433.2
Net current assets		303.8	212.1	281.4
Non-current liabilities				
Provisions		0.6	0.5	0.6
Total liabilities		375.1	336.6	433.8
Net assets		333.1	236.5	307.7
EQUITY:				
Share capital	3.1	1.9	1.9	1.9
Shares held by Employee Benefit Trust reserve		(5.5)	(13.6)	(7.0)
EBT reserve		7.3	10.5	7.9
Retained earnings		328.4	236.9	304.1
Total equity, attributable to the owners of the parent		332.1	235.7	306.9
Non-controlling interest		1.0	0.8	0.8
Total equity		333.1	236.5	307.7

Section 2: Assets & Liabilities
Notes to the Condensed Consolidated Statement of Financial Position
for the period ended 31 December 2017

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

Capital expenditure

During the six months ended 31 December 2017, the Group acquired fixtures, fittings, plant, equipment and software assets and internally generated intangibles with a cost of £6.0 million (H1 2017: £5.0 million, year to 30 June 2017: £8.4 million).

2.2 Investments

	Unaudited 6 months ended 31 December 2017	Unaudited 6 months ended 31 December 2016	Audited Year to 30 June 2017
	£m	£m	£m
At beginning of period	4.1	1.0	1.0
Sales	(3.2)	-	(0.3)
Purchases	-	0.8	3.4
At end of period	0.9	1.8	4.1
Comprising:			
Current asset investment - UK listed securities valued at quoted market price	0.9	1.5	4.1
Current asset investment - Unlisted securities valued at cost	-	0.3	-

£0.9 million (31 December 2016: £1.5 million, 30 June 2017: £4.1 million) of investments are classified as held at fair value through profit and loss and nil (31 December 2016: £0.3 million, 30 June 2017: nil) are classified as available-for-sale.

2.3 Trade and other receivables

	Unaudited 6 months ended 31 December 2017	Unaudited 6 months ended 31 December 2016	Audited Year to 30 June 2017
	£m	£m	£m
Financial assets:			
Trade receivables	343.5	301.5	401.1
Term deposits	175.0	-	180.0
Other receivables	3.5	1.5	1.5
	522.0	303.0	582.6
Non-financial assets:			
Accrued income	45.9	46.0	40.0
Prepayments	5.1	4.7	6.2
	573.0	353.7	628.8

Trade and other 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 £326.2 million (31 December 2016: £291.2 million, 30 June 2017: £378.6 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 £394.3 million and the gross amount of offset in the balance sheet with trade payables is £68.0 million. Other than counterparty balances trade receivables primarily consist of fees and amounts owed by clients. There are no balances where there is a legal right of offset but not a right of offset in accordance with accounting standards, and no collateral has been posted for the balances that have been offset.

2.4 Cash and cash equivalents

	Unaudited 6 months ended 31 December 2017	Unaudited 6 months ended 31 December 2016	Audited Year to 30 June 2017
	£m	£m	£m
Restricted cash - balances held by Hargreaves Lansdown EBT	4.2	2.9	5.5
Group cash and cash equivalent balances	100.0	189.8	75.9
	104.2	192.7	81.4

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

At 31 December 2017 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 £8,719 million (31 December 2016: £7,423 million, 30 June 2017 £8,243 million). In addition there were currency service cash accounts held on behalf of clients not governed by the client money rules of £14.1 million (31 December 2016: £35.0 million, 30 June 2017 £13.4 million). The client retains the beneficial interest in both these deposits and cash accounts and accordingly they are not included in the balance sheet of the Group.

2.5 Trade and other payables

	Unaudited 6 months ended 31 December 2017	Unaudited 6 months ended 31 December 2016	Audited Year to 30 June 2017
	£m	£m	£m
Financial liabilities:			
Trade payables	322.5	286.0	375.5
Social security and other taxes	4.8	3.8	8.0
Other payables	18.6	15.1	13.1
	345.9	304.9	396.6
Non-financial liabilities:			
Accruals	8.1	8.8	14.3
Deferred income	0.5	0.3	0.6
	354.5	314.0	411.5

In accordance with market practice, certain balances with clients, Stock Exchange member firms and other counterparties totalling £322.9 million (31 December 2016: £286.0 million, 30 June 2017: £374.9 million) are included in trade payables. As stated in note 2.3, where we have a legal right of offset and the ability and intention to settle net, trade payable balances have been presented net. The gross amount of trade payables is £390.9 million and the gross amount offset in the balance sheet with trade receivables is £68.0 million. 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.

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

Section 3: Equity
Condensed Consolidated Statement of Changes in Equity
for the period ended 31 December 2017

	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 2016	1.9	(14.9)	12.0	254.6	**253.6**	0.5	**254.1**
Total comprehensive income	-	-	-	106.0	**106.0**	0.3	**106.3**
Employee Benefit Trust:							
Shares sold during the period	-	4.2	-	-	**4.2**	-	**4.2**
Shares acquired in the period	-	(2.9)	-	-	**(2.9)**	-	**(2.9)**
EBT share sale	-	-	(2.5)	-	**(2.5)**	-	**(2.5)**
Reserve transfer on exercise of share options	-	-	1.0	(1.0)	**-**	-	**-**
Employee share option scheme:							
Share-based payments expense	-	-	-	1.3	**1.3**	-	**1.3**
Current tax effect of share-based payments	-	-	-	0.2	**0.2**	-	**0.2**
Deferred tax effect of share-based payments	-	-	-	(0.4)	**(0.4)**	-	**(0.4)**
Dividend paid (note 3.2)	-	-	-	(123.8)	**(123.8)**	-	**(123.8)**
At 31 December 2016	1.9	(13.6)	10.5	236.9	**235.7**	0.8	**236.5**
At 1 July 2017	1.9	(7.0)	7.9	304.1	**306.9**	0.8	**307.7**
Total comprehensive income	-	-	-	118.8	**118.8**	0.2	**119.0**
Employee Benefit Trust:							
Shares sold during the period	-	8.3	-	-	**8.3**	-	**8.3**
Shares acquired in the period	-	(6.8)	-	-	**(6.8)**	-	**(6.8)**
EBT share sale	-	-	(2.7)	-	**(2.7)**	-	**(2.7)**
Reserve transfer on exercise of share options	-	-	2.1	(2.1)	**-**	-	**-**
Employee share option scheme:							
Share-based payments expense	-	-	-	1.9	**1.9**	-	**1.9**
Current tax effect of share-based payments	-	-	-	0.8	**0.8**	-	**0.8**
Deferred tax effect of share-based payments	-	-	-	1.5	**1.5**	-	**1.5**
Dividend paid (note 3.2)	-	-	-	(96.6)	**(96.6)**	-	**(96.6)**
At 31 December 2017	1.9	(5.5)	7.3	328.4	**332.1**	1.0	**333.1**

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

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 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, both subsidiaries of the Company.

Section 3: Equity
Notes to the Condensed Consolidated Statement of Changes in Equity
for the period ended 31 December 2017

3.1 Share capital

	Unaudited 6 months ended 31 December 2017	Unaudited 6 months ended 31 December 2016	Audited Year to 30 June 2017
	£m	£m	£m
Issued and fully paid:			
Ordinary shares of 0.4p	1.9	1.9	1.9
	Shares	Shares	Shares
Issued and fully paid:			
Number of ordinary shares of 0.4p	474,318,625	474,318,625	474,318,625

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

3.2 Dividends paid

	Unaudited 6 months ended 31 December 2017	Unaudited 6 months ended 31 December 2016	Audited Year to 30 June 2017
	£m	£m	£m
Amounts recognised as distributions to equity holders in the period:			
2017 Final dividend of 20.4p per share	96.6	-	-
2017 First interim dividend of 8.6p per share	-	-	40.7
2016 Second interim dividend of 16.3p per share	-	77.0	77.0
2016 Special dividend of 9.9p per share	-	46.8	46.8
Total	96.6	123.8	164.5

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 2017	Unaudited 6 months ended 31 December 2016	Audited Year to 30 June 2017
Number of shares held by the Hargreaves Lansdown Employee Benefit Trust (HL EBT)	551,958	1,540,551	917,011
Representing % of called-up share capital	0.12%	0.32%	0.18%

Section 4
Condensed Consolidated Statement of Cash Flows
as at 31 December 2017

	Note	Unaudited 6 months ended 31 December 2017	Unaudited 6 months ended 31 December 2016	Audited Year to 30 June 2017
		£m	£m	£m
Net cash from operating activities				
Cash generated from operations	4.1	145.5	130.3	270.5
Income tax paid		(27.8)	(18.5)	(44.7)
Net cash generated from operating activities		117.7	111.8	225.8
Investing activities				
Decrease/(increase) in term deposits		5.0	-	(180.0)
Interest received		0.7	0.4	1.0
Dividends received from investments		-	-	0.2
Proceeds on disposal of investments		3.2	-	2.7
Purchase of property, plant and equipment		(2.6)	(1.7)	(4.7)
Purchase of intangible assets		(3.4)	(3.3)	(8.4)
Purchase of investments		-	(0.8)	(3.4)
Net cash used in investing activities		2.9	(5.4)	(192.6)
Financing activities				
Purchase of own shares in EBT		(6.8)	(2.9)	(2.9)
Proceeds on sale of own shares in EBT		5.6	1.6	4.2
Dividends paid to owners of the parent		(96.6)	(123.8)	(164.5)
Dividends paid to non-controlling interests		-	-	-
Net cash used in financing activities		(97.8)	(125.1)	(163.2)
Net (decrease) in cash and cash equivalents		22.8	(18.7)	(130.0)
Cash and cash equivalents at beginning of period		81.4	211.4	211.4
Cash and cash equivalents at end of period	2.4	104.2	192.7	81.4

4.1 Notes to the consolidated cash flow statement

	Unaudited 6 months ended 31 December 2017	Unaudited 6 months ended 31 December 2016	Audited Year to 30 June 2017
	£m	£m	£m
Profit for the period after tax	119.0	106.3	212.0
Adjustments for:			
Investment revenues	(0.7)	(0.4)	(1.2)
Income tax expense	27.9	24.6	53.8
Gain on disposal of investments	-	(0.1)	(3.5)
Depreciation of plant and equipment	2.1	1.8	3.8
Amortisation of intangible assets	1.4	1.1	2.3
Impairment of intangible assets	-	-	1.2
Share-based payment expense	1.9	1.3	4.1
Increase in provisions	-	-	0.1
Operating cash flows before movements in working capital	151.6	134.6	272.6
Decrease/(increase) in receivables	50.9	263.3	168.2
(Decrease)/increase in payables	(57.0)	(267.6)	(170.2)
Net derivative movement	-	-	(0.1)
Cash generated from operations	145.5	130.3	270.5

Section 5
Other Notes
as at 31 December 2017

5.1 Basis of preparation

The consolidated Interim Financial Statements of Hargreaves Lansdown plc for the six months to 31 December 2017 have been prepared using accounting policies in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and in accordance with the International Accounting Standard (IAS) 34 Interim Financial Reporting and the Disclosure Rules and Transparency Rules of the United Kingdom's Financial Conduct Authority. The Interim Financial Statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments, and are presented in pounds sterling which is the currency of the primary economic environment in which the Group operates.

The financial information contained in these Interim Financial Statements does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. However, the information has been reviewed by the company's auditor, PricewaterhouseCoopers LLP, and their report appears earlier in this document. The financial information for the year ended 30 June 2017 has been derived from the audited financial statements of Hargreaves Lansdown plc for that year, which have been reported on by PricewaterhouseCoopers LLP and delivered to the Registrar of Companies. Copies are available on-line at www.hl.co.uk. The auditor's report on those accounts was not qualified, did not include a reference to any matters to which the auditor drew attention by the way of emphasis without qualifying the report and did not contain statements under section 498 (2) or (3) of the Companies Act 2006.

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 2017 as were applied in the Audited Annual Financial Statements for the year ended 30 June 2017.

Going concern

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

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

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.

As new business only accounts for a small proportion of asset values and because of other revenue streams and market effects, overall Group net revenue is less seasonal than new business inflows. In the year ended 30 June 2017 51% of revenue was earned during the second half of the year (2016: 51%).

5.2 Material events after interim period-end

After the interim balance sheet date, an ordinary interim dividend of 10.10 pence per share (H1 2017: interim dividend 8.60p) amounting to a total dividend of £47.9 million (2017: £40.7 million) was declared by the plc Directors. These financial statements do not reflect this dividend payable.

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

5.3 Principal risks and uncertainties

The principal risks and uncertainties which could impact the Group for the remainder of the financial year are those detailed on pages 24 to 26 of the Group's Annual Report and Financial Statements 2017, a copy of which is available on the Group's website www.hl.co.uk. These remain the principal risks and uncertainties for the second half of this financial year and beyond; the key ones of which are listed below and they are regularly considered by the Board.

Operational risks

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

Financial risks

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

5.3 Principal risks and uncertainties (continued)

The Group is exposed to interest rate risk, the risk of sustaining losses from adverse movements in interest bearing assets. These assets comprise cash, cash equivalents and term deposits. At 31 December 2017 the value of such assets on the Group balance sheet was £279.2 million (at 31 December 2016: £192.7 million). A 50bps (0.5%) move in interest rates, in isolation, would therefore, not have a material direct impact on the Group balance sheet or results. This exposure is continually monitored to ensure that the Group is 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.

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

5.4 Related party transactions

The Company has a related party relationship with its Directors and members of the Executive Committee (the "key management personnel"). There were no material changes to the related party transactions during the financial period; transactions are consistent in nature with the disclosure in note 5.6 to the 2017 Annual Report.

5.5 Financial instruments' fair value disclosure

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

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

	Level 1 Quoted prices for similar instruments	**Level 2** Directly observable market inputs other than Level 1 inputs	**Level 3** Inputs not based on observable market data	**Total**
	£m	**£m**		**£m**
Unaudited at 31 December 2017				
Financial assets at fair value through profit or loss	0.9	-	-	0.9
Derivative financial assets	-	0.2	-	0.2
Derivative financial liabilities	-	(0.1)	-	(0.1)
	0.9	0.1	-	1.0
Unaudited at 31 December 2016				
Financial assets at fair value through profit or loss	1.5	-	-	**1.5**
Available-for-sale financial assets	-	-	0.3	**0.3**
	1.5	-	0.3	1.8
Audited at 30 June 2017				
Financial assets at fair value through profit or loss	4.1	-	-	**4.1**
Derivative financial assets	-	0.3	-	**0.3**
Derivative financial liabilities	-	(0.2)	-	**(0.2)**
	4.1	0.1	-	**4.2**

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

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

General Information

EXECUTIVE DIRECTORS
Christopher Hill
Philip Johnson

NON-EXECUTIVE DIRECTORS
Chris Barling
Fiona Clutterbuck (appointed 1 September 2017)
Mike Evans
Shirley Garrood
Deanna Oppenheimer (appointed 2 February 2018)
Roger Perkin (appointed 1 September 2017)
Stephen Robertson
Jayne Styles

COMPANY SECRETARY
Judy Matthews

INDEPENDENT AUDITOR
PricewaterhouseCoopers LLP, London

SOLICITORS
Osborne Clarke LLP, Bristol

PRINCIPAL BANKERS
Lloyds Bank plc, Bristol

BROKERS
Barclays
Numis Securities Limited

REGISTRARS
Equiniti Limited

REGISTERED OFFICE
1 College Square South
Anchor Road
Bristol
BS1 5HL

REGISTERED NUMBER
02122142

WEBSITE
www.hl.co.uk

DIVIDEND CALENDAR 2017/18

	First dividend (interim)
Ex-dividend date*	15 February 2018
Record date**	16 February 2018
Payment date	9 March 2018

* 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.

Glossary of Alternative Performance Measures

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

Measure	Calculation	Why we use this measure
Dividend per share (pence per share)	Total dividend payable relating to a financial year divided by the total number of shares eligible to receive a dividend. Note ordinary shares held in the Hargreaves Lansdown Employee Benefit Trust have agreed to waive all dividends.	Dividend per share is pertinent information to shareholders and investors and provides them with the ability to assess the dividend yield of the Hargreaves Lansdown plc shares.
Operating Costs	The costs as per the Income Statement excluding commission payable (i.e. the aggregate of staff costs, other operating costs and FSCS costs).	In light of the transitional period relating to the Retail Distribution Review (see Net Revenue below) and the impact this had on commission payable in the form of loyalty bonuses, this measure of Operating Costs provides a more useful comparative measure over time.
Operating profit margin	Profits after deducting operating costs but before the impact of finance income and other gains or losses divided by revenue.	Provides a measure of profitability of the core operating activities and excludes non-core items.
Net new business inflows	Represents subscriptions, cash receipts, cash and stock transfers in less cash withdrawals, cash and stock transfers out.	Provides a measure of tracking the success of gathering assets on to the platform over time.
Net revenue (£) (See Income Statement on page 11 for the reconciliation of net revenue)	Total revenue less commission payments which are primarily loyalty bonuses paid to Vantage clients.	Because of the changes brought about to the client charging structure by the Retail Distribution Review ("RDR") there was a transitional period (from 1 March 2014 to 1 April 2017). From 1 March 2014 revenue was increased as Hargreaves Lansdown earned both a new platform fee from clients and the existing renewal commission from the Fund Management Groups based on the value of funds held by clients. At the same time the loyalty bonus paid to clients was significantly increased on the pre-RDR funds to largely mitigate the impact of the new platform fee. In order to aid comparability during the period of transition to 1 April 2017 the net revenue measure became the most useful comparative measure of revenue as it better reflected the underlying income relating to funds held by clients.
Net recurring revenue	Net revenue that is received every month depending on the value of assets held on the platform including platform fees, management fees and interest earned on client money.	Provides a measure of the quality of our earnings. We believe net recurring revenue provides greater profit resilience and hence is of higher quality than non-recurring revenue.
Percentage of recurring net revenue (bps)	The total value of renewal commission (after deducting loyalty bonuses), platform fees, management fees and interest earned on client money divided by the total net revenue.	Provides a measure of the quality of our earnings. We believe recurring revenue provides greater profit resilience and hence it is of higher quality than non-recurring revenue.
Net revenue margin (bps)	Total net revenue divided by the average value of assets under administration which includes the Portfolio Management Services assets under management held in funds on which a platform fee is charged.	Provides the most comparable means of tracking, over time, the margin earned on the assets under administration and is used by management to assess business performance.
Net revenue margin from cash (bps)	Net revenue from cash (net interest earned on the value of client money held on the platform divided by the average value of assets under administration held as client money).	Provides a means of tracking, over time, the margin earned on cash held by our clients.
Net revenue margin from funds (bps)	Net revenue derived from funds held by clients (platform fees, initial commission less loyalty bonus) divided by the average value of assets under administration held as funds, which includes the Portfolio Management Services assets under management held in funds on which a platform fee is charged.	Provides the most comparable means of tracking, over time, the margin earned on funds held by our clients.
Net revenue margin from HL Funds (bps)	Management fees derived from HL Funds (but excluding the platform fee) divided by the average value of assets held in the HL Funds.	Provides a means of tracking, over time, the margin earned on HL Funds.
Net revenue margin from shares (bps)	Net revenue from shares (stockbroking commissions, management fees where shares are held in a SIPP or ISA, less the cost of dealing errors) divided by the average value of assets under administration held as shares.	Provides a means of tracking, over time, the margin earned on shares held by our clients.
Transactional revenue	Revenue that is non-recurring in nature and dependent on a client instruction such as a deal to buy or sell shares or take advice.	Such revenue is not as high quality as recurring revenue but helps to show the diversification of our revenue streams.