

**Hargreaves Lansdown plc Group**

**Interim Report and  
Condensed Consolidated Financial Statements  
6 months ended 31 December 2012**

**Embargoed: for release at 0700h, 6 February 2013**

# Interim Management Report

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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 2012 Annual Report, underlying such forward-looking information.*

*Unless otherwise stated, all figures below refer to the six months ended 31 December 2012 ("H1 2013"). Comparative figures are for the six months ended 31 December 2011 ("H1 2012"). 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.*

# Interim Management Report

## Hargreaves Lansdown plc Interim results for the six months ended 31 December 2012

“Hargreaves Lansdown’s results demonstrate that a reputable company can, even in this climate, add genuine benefit to the UK economy and public, whilst paying its taxes in full. Focusing on clients, Hargreaves Lansdown is helping UK retail investors to build their personal wealth. Funds, shares and other investments are a great way to save - more people should be encouraged to buy them.”

### Ian Gorham, Chief Executive

Hargreaves Lansdown plc (“HL” or “the Group”) today announces interim results for the six month period ended 31 December 2012.

### Highlights

- Continued growth with record revenue (up 24% to £140.3m) and record profit before tax (up 30% to £93.7m)
- Total net business inflows for the 6 months of £1.65 billion, up 42% (H1 2012: £1.16bn)
- Total assets under administration of £30.4 billion (up 30% on 31 December 2011 and 16% on 30 June 2012)
- Continued growth in active Vantage client numbers, now 446,000, an increase of 21,000 since 30 June 2012 (H1 2012: 16,000)
- Total interim dividend up 24% to 6.3 pence per share (H1 2012: 5.1 pence)

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

“In the six months to 31 December 2012 Hargreaves Lansdown again achieved record revenue, profits and assets under administration (AUA). Profits rose 30% and Assets Under Administration now stand at over £30bn, up £7bn from just one year ago.

Despite continued economic uncertainty in the UK, Hargreaves Lansdown has had the scale, financial strength and market presence to continue to improve its position. Clients appreciate our excellent value, service and informed comment. These results reflect our commitment to clients, the financial security of our business and our ability to provide ever more attractive ways of saving money and investing through a Hargreaves Lansdown account.

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, as the UK’s no.1 Investment Supermarket, is uniquely placed to deliver that security and service to the UK public.

The economic environment remains challenging, but we are pleased that Hargreaves Lansdown continues from strength to strength.

I would like to thank all our employees for their valuable contribution in the record achievement of the first six months and for continually striving to deliver and improve our services. I would also like to thank our clients for their continued support and recommendation, for which we remain grateful and determined to continue to repay their confidence.”

### Financial highlights

|                                   | Unaudited 6 months ended 31 December 2012 | Unaudited 6 months ended 31 December 2011 | Change % | Audited year to 30 June 2012 |
|-----------------------------------|-------------------------------------------|-------------------------------------------|----------|------------------------------|
| Revenue                           | £140.3m                                   | £112.9m                                   | +24%     | £238.7m                      |
| Proportion of recurring revenue   | 81%                                       | 81%                                       | -        | 81%                          |
| Profit before tax                 | £93.7m                                    | £72.0m                                    | +30%     | £152.8m                      |
| Operating profit margin           | 65.6%                                     | 63.0%                                     | +2.6 pts | 63.1%                        |
| Total assets under administration | £30.4bn                                   | £23.4bn                                   | +30%     | £26.3bn                      |
| Diluted earnings per share        | 15.0p                                     | 11.3p                                     | +33%     | 24.1p                        |
| Interim dividend per share        | 6.3p                                      | 5.1p                                      | +24%     | 5.1p                         |
| Net business inflows              | £1.65bn                                   | £1.16bn                                   | +42%     | £3.2bn                       |

# Interim Management Report

## 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 benefits from high quality earnings derived from the value of investments under administration or management, primarily through its market leading Vantage service.

Success can be attributed to value pricing, innovative marketing, excellent research and information. High retention of clients is achieved through first class service. The company employs a unique direct marketing model which is cost effective, scalable and affords a good profit margin whilst still affording clients access to low cost investing.

Unlike a traditional asset manager, the broad choice of investments and products available through the Group and diversity of services results in a high level of retention of assets. When clients choose to reinvest into different asset classes or products, our wide choice ranging from equity to cash management facilities, ensures that client assets are usually retained.

## Contacts:

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### For media enquiries:

Ian Gorham, Chief Executive  
Peter Hargreaves, Co-founder, Executive Director

### For analyst enquiries:

Ian Gorham, Chief Executive  
Tracey Taylor, Group Finance Director  
James Found, Investor Relations

## Analysts' presentation

Hargreaves Lansdown will be hosting an investor and analyst presentation at 9.00am on 6<sup>th</sup> February 2013 following the release of the results for the half year ended 31 December 2012. Access is by invitation only. Slides accompanying the analyst presentation will be available this morning at [www.hl.co.uk/investor-relations](http://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

### Trading

I am pleased to report that for the six months to 31 December 2012 Hargreaves Lansdown can again announce record revenue and profits. It is also a great credit to the unique quality, popularity and value of our investing service that AUA have for the first time passed £30 billion.

The first six months' trading of the current financial year has seen continued growth of revenue, profits, and assets, with all figures reaching record levels for the first half of the year.

We are also pleased to announce that, in addition to strong increases in revenue and profit, the group added £1.65 billion of net new assets for the six month period, a 42% increase on the prior year comparative of £1.16 billion. AUA stand at £30.4 billion, up £7.0 billion (+30%) from December 2011. The increase in net new clients for the first half of the year was 21,000 (2011:16,000), a 31% increase also exceeding our expectations.

Stock markets were also helpful (the FTSE All Share rose 7% in the 6 months to 31 December 2012). Our fund sales were at a significant favourable variance to the general UK market where retail fund sales remained subdued. Although economic conditions have been challenging for many, Hargreaves Lansdown has invested substantially in the long term future and quality services to clients. New features and improvements included our new SIPP Loyalty bonus, further enhanced equity dealing functionality, the first of our new iPad apps, new functions to encourage consolidation of assets and continued progress in our workplace services. Continual improvement of our business, strong marketing, and increasing recognition of the merits of investing through our Vantage service, has been key to our strong result.

Growth was experienced across all services. The continuing and growing requirement for individuals to make their own provision for pension saving, given the absence of final salary schemes and state guarantees, was particularly evident. Vantage SIPP net new assets for the six months were up 42% year on year. ISA growth was also significant, up 38%. Further enhancements to equity trading functionality allied to rising markets have boosted equity trading volumes, which rose 10% to 761,000 in the first half (2011: 691,000).

Progress remains positive in our workplace investment service. Corporate Vantage, has 64 schemes either live or being implemented. Employee members have risen to 10,200 (2011: 3,569). Assets in Corporate Vantage Schemes now stand at £222.4m, an increase of 67% in the last three months alone. This remains an important long term initiative and given its success and continued excellent client feedback we have recruited further resource to ensure we are well placed for auto-enrolment which commenced in October 2012. During a phased period to 2017 every UK employee will automatically join a workplace scheme. This should add further client numbers to existing schemes, and bring forward the need for employers to make decisions over pension solutions.

We continue to invest in our digital strategy, adding specialists to expand our client gathering capabilities through the internet. We launched the Investment Times (our newsletter) for the iPad, which enjoyed over 4,000 downloads of the

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Christmas edition. The HL Live iPhone app remains hugely successful, with over 83,000 downloads. Other exciting new initiatives will continue to be released before the financial year-end.

Our discretionary investment management business, PMS, has seen an increase in revenue of 17 % compared to H1 2012. Net new PMS business in the first half of the year was 94% higher than the comparative six month period. Assets being managed in PMS now stand at £1.8 billion (2011: £1.5 billion).

## Costs

Cost control has remained tight thus absorbing the effect of our investment in the future. Key to analysing costs is understanding the effect of adding specialist resource to develop new initiatives. At Hargreaves Lansdown business investment is mainly reflected in additional staff costs rather than capital expenditure. Staff numbers were 717 at 31 December 2012 (2011: 637). 62 of the new additions (78%) are accounted for by IT development, Web, Pensions, Funds Library and Corporate Vantage resource and thus committed to expanding the business and delivering our long term initiatives. The underlying scalability of the business continues, with our technology and efficiency ensuring limited additional staff numbers were required to service asset growth. Overall costs rose by 15% (2011: 9%) compared to a 30% increase in assets. As a result, operating margin continues to improve.

## Regulation

Since the latest FSA Consultation Paper (CP12/12) was published on 27 June 2012, which we addressed in our full year results 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 (RDR2) continues to ensure operational readiness well in advance of any potential foreseeable changes.

Having fully modelled preferred pricing structures, we remain confident in our position that all foreseeable changes can be accommodated without a material effect to our profitability. As our results show, we continue to see no negative impact on our competitive position as a result of RDR or any other factor.

We note that (net) over 1,200 financial advisers left FSA authorisation in the 18 months to 31 December 2012, over 4% of the entire industry. We remain of the view that a general trend towards DIY investing is likely to be beneficial to our cause, as people discover the value and efficiency to be gained through self-directed activity and a Hargreaves Lansdown account. Commensurately, visits to our website hl.co.uk have risen 26% on the comparative period for 2011.

## Current trading and outlook

We are pleased with the six months under review, whilst recognising that the second half of our trading year is perennially the stronger half and key to our full year performance.

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

Ahead of the seasonal build up around the tax year end, January has seen a continuation of the strong second quarter's performance. Reasons for this include new rules requiring all firms to allow transfers as stock, aiding clients transferring to Hargreaves Lansdown.

Our earnings have a direct relationship with the value of the investments within our administration; therefore the level of world stock markets has an effect on profits outside of our control. The recent rallying of stock markets is a positive factor.

The difficulties faced by the UK banking sector resulted in unusually high LIBOR rates last financial year and during the early part of the current financial year. This boosted the interest revenue earned on cash deposits. The last six months has seen the government lending money to banks on cheap terms (the Funding for Lending Scheme). This money was ostensibly to be used for lending purposes, but it resulted in banks slashing the interest rates paid to UK savers. This fiasco now makes equity investment even more attractive, as the yields available on equities and bonds far outstrip those available on cash. If this scenario persists, we consider the long term effect on asset gathering likely to be beneficial. However, in the short term, it will also reduce revenue from cash margin across the savings and investment industry, including that received by Hargreaves Lansdown.

If LIBOR rates remain low then a greater impact will be felt in the following financial year as our deposits will be gradually replaced on significantly lower rates.

Hargreaves Lansdown is the UK's no.1 investment supermarket with an estimated 28% of the UK market share. Recent research proved Hargreaves Lansdown is both the dominant and fastest growing company in an exciting market. As we continue 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." Hargreaves Lansdown is well placed to deliver long term future growth through focusing on the needs of investors.

## Board changes

On 5 September 2012 Hargreaves Lansdown announced that co-founder and non-executive director Stephen Lansdown, had given notice that he would step down from the Board of Hargreaves Lansdown plc at the Group's Annual General Meeting, which he duly did on 23 November 2012. We thank Stephen for his contribution to the company that bears his name proudly. The Board now comprises eight directors, including five non-executive directors, all of whom are independent. This more than satisfies the requirements of the UK Corporate Governance Code, and we believe we have a strong Board in place.

**Ian Gorham**  
Chief Executive

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## Financial Review

### Financial performance

The Group achieved a profit before tax of £93.7m, a 30% increase compared to H1 2012, consequent to increased levels of AUA. Revenue for the six months to 31 December 2012 was up 24%. Continued cost control and scalable operations contributed to the operating margin which increased to 65.6% (H1 2012: 63.0%). This, together with a lower rate of corporation tax, combined to increase the diluted earnings per share from 11.3 pence to 15.0 pence per share.

|                                    | %<br>movement | Unaudited<br>6 months<br>ended<br>31 December<br>2012<br><br>(H1 2013)<br>£'million | Unaudited<br>6 months<br>ended<br>31 December<br>2011<br><br>(H1 2012)<br>£'million | Audited<br>Year<br>to<br>30 June<br>2012<br><br>(FY 2012)<br>£'million |
|------------------------------------|---------------|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|------------------------------------------------------------------------|
| Revenue                            | +24%          | 140.3                                                                               | 112.9                                                                               | 238.7                                                                  |
| Administrative expenses            | +14%          | (47.0)                                                                              | (41.3)                                                                              | (83.3)                                                                 |
| FSCS levy                          |               | (1.2)                                                                               | (0.5)                                                                               | (4.8)                                                                  |
| Operating profit                   | +30%          | 92.1                                                                                | 71.1                                                                                | 150.6                                                                  |
| Investment revenue and other gains |               | 1.6                                                                                 | 0.9                                                                                 | 2.2                                                                    |
| Profit before taxation             | +30%          | 93.7                                                                                | 72.0                                                                                | 152.8                                                                  |
| Taxation                           |               | (22.5)                                                                              | (19.0)                                                                              | (39.5)                                                                 |
| Profit after taxation              | +35%          | 71.2                                                                                | 52.9                                                                                | 113.3                                                                  |

### Total revenue

Revenue growth has been strong in all three divisions. A significant contribution to the 24% growth in revenue has come from organic growth in AUA from new clients and new business from existing clients in the current period and previous year. An improvement in markets has also been beneficial, with the average level of the FTSE All-Share index being 7% higher during the six months to 31 December 2012 compared to H1 2012. The percentage of revenue which is recurring in nature has remained at 81%.

| Revenue by division                     | Unaudited<br>6 months ended<br>31 December 2012<br>£'million | Unaudited<br>6 months ended<br>31 December 2011<br>£'million | % increase  |
|-----------------------------------------|--------------------------------------------------------------|--------------------------------------------------------------|-------------|
| <b>Vantage</b>                          | 109.9                                                        | 87.0                                                         | +26%        |
| <b>Discretionary and Managed</b>        | 15.4                                                         | 13.2                                                         | +17%        |
| <b>Third Party &amp; Other Services</b> | 15.0                                                         | 12.7                                                         | +18%        |
| <b>Total Revenue</b>                    | <b>140.3</b>                                                 | <b>112.9</b>                                                 | <b>+24%</b> |

### Assets Under Administration (AUA) and new business inflows

During the period the value of total AUA has increased by 16% to £30.4 billion. The Group achieved net new business inflows of £1.65 billion, and the positive impact of the market and other growth factors increased client assets by a further £2.5 billion. Total assets under administration can be broken down as follows:

|                                                                | 31 December<br>2012<br>£'billion | 31 December<br>2011<br>£'billion | 30 June 2012<br>£'billion |
|----------------------------------------------------------------|----------------------------------|----------------------------------|---------------------------|
| <b>Vantage Assets Under Administration (AUA)</b>               | <b>28.5</b>                      | <b>21.9</b>                      | <b>24.6</b>               |
| <b>Assets Under Administration and Management (AUM)</b>        |                                  |                                  |                           |
| Portfolio Management Service (PMS)                             | 1.8                              | 1.5                              | 1.6                       |
| Multi-manager funds held outside of PMS                        | 0.9                              | 0.7                              | 0.8                       |
| <b>AUM Total</b>                                               | <b>2.8</b>                       | <b>2.2</b>                       | <b>2.4</b>                |
| <b>Less: Multi-manager funds (AUM) included in Vantage AUA</b> | <b>(0.9)</b>                     | <b>(0.7)</b>                     | <b>(0.8)</b>              |
| <b>Total Assets Under Administration</b>                       | <b>30.4</b>                      | <b>23.4</b>                      | <b>26.3</b>               |

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Net new business generated within PMS was £99 million (H1 2012: £51 million.) Net new business in the Vantage ISA, SIPP and other Vantage nominee accounts was £0.4 billion, £0.7 billion and £0.4 billion respectively (H1 2012: £0.3 billion, £0.5 billion, £0.3 billion). The increase in new business was attributable to an increased number of Vantage clients (up by 5% since June 2012) combined with new subscriptions and transfer business from existing clients. Client and asset retention both remained very high for the period.

The average new contribution into a Vantage SIPP so far this year has reduced by 3%, with 29% more clients contributing to their SIPP than in H1 2012. The average subscription in the Vantage Stocks and Share ISA increased by 2%, with a 32% increase to the number of clients subscribing.

As at 31 December 2012, the value of assets within the Vantage ISA was £11.3 billion (30 June 2012: £10.0 billion), Vantage SIPP was £8.8 billion (30 June 2012: £7.6 billion) and other Vantage nominee accounts was £8.4 billion (30 June 2012: £7.0 billion).

Clients have decreased their cash weightings during the period as investor sentiment began to improve and world markets rallied. The composition of assets across the whole of Vantage at 31 December 2012 was 11% cash (30 June 2012: 12%), 33% stocks and shares (30 June 2012: 31%), and 56% investment funds (30 June 2012: 57%).

The overall revenue margin earned on Vantage AUA increased slightly from 79bps to 81bps, primarily as a result of higher interest rates earned on deposits placed last year. As noted in the above Chief Executive's statement, deposit rates started to reduce at the start of the financial year and are now significantly lower than last year. As a result of this the revenue margin on cash balances is expected to reduce in the second half of the financial year and, if rates remain at this level, to reduce again in the 2014 financial year before levelling out.

### Total administrative expenses

We continue to maintain a strong focus on cost control and efficiency. Operating expenses increased by 14% to £47.0 million, principally in three areas: increased spend on marketing incentives responding to the challenges and opportunities of the current market and economic conditions; an increase in loyalty bonus payable in line with the rise in value of the related client assets, and a 17% increase in staff costs. Staff numbers have increased as we continue to recruit specialist resource ensuring we are committed to expanding the business and delivering our long term initiatives. The average number of staff (full-time equivalents, including directors) during the six months ended 31 December 2012 was 693 (H1 2012: 643). As at 31 December 2012 we employed 717 staff. Despite the increase in staff numbers the compensation ratio (ratio of staff costs to revenue) has actually fallen by 1% to 17.4%.

|                                                | Unaudited<br>6 months ended<br>31 December 2012 | Unaudited<br>6 months ended<br>31 December 2011 | Increase % |
|------------------------------------------------|-------------------------------------------------|-------------------------------------------------|------------|
|                                                | £'million                                       | £'million                                       |            |
| Staff costs                                    | 24.4                                            | 20.8                                            | +17%       |
| Commission payable                             | 9.0                                             | 8.1                                             | +11%       |
| Marketing and distribution costs               | 5.6                                             | 4.6                                             | +22%       |
| Office running costs                           | 2.1                                             | 2.2                                             | -5%        |
| Depreciation, amortisation and financial costs | 1.3                                             | 1.2                                             | +8%        |
| Other costs                                    | 4.6                                             | 4.4                                             | +5%        |
| Operating expenses                             | 47.0                                            | 41.3                                            | +14%       |
| FSCS levy                                      | 1.2                                             | 0.5                                             | +140%      |
| Total administrative expenses                  | 48.2                                            | 41.8                                            | +15%       |

### Taxation

The charge for taxation in the income statement increased in line with higher profits to £22.5 million from £19.0 million. The effective tax rate fell from 26.0% in H1 2012 to 23.9% in the current period. The reduction in the effective tax rate has resulted from the standard UK corporation tax rate falling from 26% to 24% as from 1 April 2012. In total, taxation of £1.5 million has also been credited directly to equity and relates to share-based payments.

### Dividend

The Board has declared an interim dividend of 6.3 pence per share (H1 2012: 5.1 pence). The interim dividend will be paid on 11 April 2013 to all shareholders on the register at 15 March 2013. This amounts to a total interim dividend of £29.5 million.

An arrangement exists under which the Hargreaves Lansdown Employee Benefit Trusts (the "EBTs") have agreed to waive all dividends. As at 31 December 2012 the EBTs held 6,235,370 shares.

### Capital expenditure

Capital expenditure totalled £1.2 million for the six months ended 31 December 2012, compared with £0.5 million for the same period in the previous financial year. Capital expenditure consisted mainly of IT hardware

### Liquidity and capital resources

The Group is soundly financed with a strong balance sheet and no borrowings. This is an important strength which in addition to being attractive to clients provides both resilience and flexibility. The Group is highly cash generative and the cash conversion ratio measured by the operating cash flows as a percentage of operating profits remained high at 100% in H1 2013 compared to 105% in H1 2012.

Group cash balances excluding restricted cash totalled £133.0 million at the end of the period. The only significant cash outflow from profits has been the final and special dividends totalling £81.7 million paid during September 2012, and the

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£8.7 million purchase of additional shares by the EBTs to offset in part potential EPS dilution from the vesting of share options.

The Group continues to hold a level of capital that provides significant headroom over the regulatory minimum. At 31 December 2012, the regulated companies had Tier 1 capital of £65 million which provided excess regulatory capital of approximately £57 million. Further disclosures are published in the Pillar 3 document on the Group's website at [www.hl.co.uk](http://www.hl.co.uk).

### **Related party transactions**

No related party transactions that materially affect the financial position or performance of the Group have taken place during the period, and there have been no material changes to the related party transactions described in the last Annual Report and Accounts.

### **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.

### **Principal risks and uncertainties**

The principal risks and uncertainties which could impact the Group were detailed on pages 24 to 27 of the Group's Annual Report and Financial Statements 2012, a copy of which is available on the Group's website [www.hl.co.uk](http://www.hl.co.uk). These are not expected to change in the second half of the 2013 financial year, and they are regularly reviewed by the Board.

## 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  
5 February 2013

# 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 2012 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 2012 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

5 February 2013

## Condensed Consolidated Income Statement

|                                   |      | Unaudited<br>6 months<br>ended 31<br>December<br>2012 | Unaudited<br>6 months<br>ended 31<br>December<br>2011 | Audited<br>Year to<br>30 June<br>2012 |
|-----------------------------------|------|-------------------------------------------------------|-------------------------------------------------------|---------------------------------------|
|                                   | Note | £'000                                                 | £'000                                                 | £'000                                 |
| <b>Revenue</b>                    | 8    | 140,314                                               | 112,880                                               | 238,741                               |
| <b>Total operating income</b>     |      | 140,314                                               | 112,880                                               | 238,741                               |
| Administrative expenses           |      | (46,986)                                              | (41,285)                                              | (83,355)                              |
| FSCS costs*                       |      | (1,240)                                               | (516)                                                 | (4,774)                               |
| <b>Operating profit</b>           |      | 92,088                                                | 71,079                                                | 150,612                               |
| Investment revenues               | 9    | 1,438                                                 | 875                                                   | 2,229                                 |
| Other gains and losses            | 10   | 182                                                   | 1                                                     | (2)                                   |
| <b>Profit before tax</b>          |      | 93,708                                                | 71,955                                                | 152,839                               |
| Tax                               | 11   | (22,469)                                              | (19,041)                                              | (39,520)                              |
| <b>Profit for the period</b>      |      | 71,239                                                | 52,914                                                | 113,319                               |
| <b>Attributable to:</b>           |      |                                                       |                                                       |                                       |
| Equity holders of the Company     |      | 70,837                                                | 52,774                                                | 112,960                               |
| Non-controlling interest          |      | 402                                                   | 140                                                   | 359                                   |
|                                   |      | 71,239                                                | 52,914                                                | 113,319                               |
| <b>Earnings per share (pence)</b> | 13   |                                                       |                                                       |                                       |
| Basic earnings per share          |      | 15.1                                                  | 11.4                                                  | 24.2                                  |
| Diluted earnings per share        |      | 15.0                                                  | 11.3                                                  | 24.1                                  |

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

\* FSCS costs are those relating to the running of and the levies issued under the Financial Services Compensation Scheme.

After the balance sheet date, the directors declared an ordinary interim dividend of 6.3 pence per share payable on 11 April 2013 to shareholders on the register at 15 March 2013.

## Condensed Consolidated Statement of Comprehensive Income

|                                                                     | Unaudited<br>6 months<br>ended 31<br>December<br>2012 | Unaudited<br>6 months<br>ended 31<br>December<br>2011 | Audited<br>Year to<br>30 June<br>2012 |
|---------------------------------------------------------------------|-------------------------------------------------------|-------------------------------------------------------|---------------------------------------|
|                                                                     | £'000                                                 | £'000                                                 | £'000                                 |
| <b>Profit for the period</b>                                        | 71,239                                                | 52,914                                                | 113,319                               |
| <b>Other comprehensive income for the period:</b>                   |                                                       |                                                       |                                       |
| (Decrease)/increase in fair value of available-for-sale investments | (160)                                                 | (4)                                                   | 30                                    |
|                                                                     | 71,079                                                | 52,910                                                | 113,349                               |
| <b>Attributable to:</b>                                             |                                                       |                                                       |                                       |
| Equity holders of the Company                                       | 70,677                                                | 52,770                                                | 112,990                               |
| Non-controlling interest                                            | 402                                                   | 140                                                   | 359                                   |
|                                                                     | 71,079                                                | 52,910                                                | 113,349                               |

## Condensed Consolidated Statement of Changes in Equity

### Attributable to the owners of the Company

|                                                   | Share capital<br>£'000 | Share premium account<br>£'000 | Investment revaluation reserve<br>£'000 | Capital redemption reserve<br>£'000 | Shares held by EBT reserve<br>£'000 | EBT reserve<br>£'000 | Retained earnings<br>£'000 | Total<br>£'000  | Non-controlling interest<br>£'000 | Total equity<br>£'000 |
|---------------------------------------------------|------------------------|--------------------------------|-----------------------------------------|-------------------------------------|-------------------------------------|----------------------|----------------------------|-----------------|-----------------------------------|-----------------------|
| <b>At 1 July 2011</b>                             | 1,897                  | 8                              | 130                                     | 12                                  | (16,529)                            | 10,294               | 134,989                    | <b>130,801</b>  | 66                                | <b>130,867</b>        |
| <b>Profit for the period</b>                      | -                      | -                              | -                                       | -                                   | -                                   | -                    | 52,774                     | <b>52,774</b>   | 140                               | <b>52,914</b>         |
| <b>Other comprehensive income:</b>                |                        |                                |                                         |                                     |                                     |                      |                            |                 |                                   |                       |
| Net fair value gains on available-for-sale assets | -                      | -                              | (4)                                     | -                                   | -                                   | -                    | -                          | <b>(4)</b>      | -                                 | <b>(4)</b>            |
| <b>Employee Benefit Trust:</b>                    |                        |                                |                                         |                                     |                                     |                      |                            |                 |                                   |                       |
| Shares sold during the period                     | -                      | -                              | -                                       | -                                   | 274                                 | -                    | -                          | <b>274</b>      | -                                 | <b>274</b>            |
| EBT share sale net of tax                         | -                      | -                              | -                                       | -                                   | -                                   | (205)                | -                          | <b>(205)</b>    | -                                 | <b>(205)</b>          |
| <b>Employee share option scheme:</b>              |                        |                                |                                         |                                     |                                     |                      |                            |                 |                                   |                       |
| Share-based payments expense                      | -                      | -                              | -                                       | -                                   | -                                   | -                    | 1,142                      | <b>1,142</b>    | -                                 | <b>1,142</b>          |
| Deferred tax effect of share-based payments       | -                      | -                              | -                                       | -                                   | -                                   | -                    | (2,610)                    | <b>(2,610)</b>  | -                                 | <b>(2,610)</b>        |
| Tax relief on exercise of share option            | -                      | -                              | -                                       | -                                   | -                                   | -                    | (1)                        | <b>(1)</b>      | -                                 | <b>(1)</b>            |
| <b>Dividend paid</b>                              | -                      | -                              | -                                       | -                                   | -                                   | -                    | (66,548)                   | <b>(66,548)</b> | -                                 | <b>(66,548)</b>       |
| <b>At 31 December 2011</b>                        | 1,897                  | 8                              | 126                                     | 12                                  | (16,255)                            | 10,089               | 119,746                    | <b>115,623</b>  | 206                               | <b>115,829</b>        |
| <b>At 1 July 2012</b>                             | 1,897                  | 8                              | 160                                     | 12                                  | (14,029)                            | 10,014               | 158,932                    | <b>156,994</b>  | 425                               | <b>157,419</b>        |
| <b>Profit for the period</b>                      | -                      | -                              | -                                       | -                                   | -                                   | -                    | 70,837                     | <b>70,837</b>   | 402                               | <b>71,239</b>         |
| <b>Other comprehensive income:</b>                |                        |                                |                                         |                                     |                                     |                      |                            |                 |                                   |                       |
| Net fair value gains on available-for-sale assets | -                      | -                              | (160)                                   | -                                   | -                                   | -                    | -                          | <b>(160)</b>    | -                                 | <b>(160)</b>          |
| <b>Employee Benefit Trust:</b>                    |                        |                                |                                         |                                     |                                     |                      |                            |                 |                                   |                       |
| Shares sold during the period                     | -                      | -                              | -                                       | -                                   | 2,970                               | -                    | -                          | <b>2,970</b>    | -                                 | <b>2,970</b>          |
| Shares acquired in the year                       | -                      | -                              | -                                       | -                                   | (8,655)                             | -                    | -                          | <b>(8,655)</b>  | -                                 | <b>(8,655)</b>        |
| EBT share sale net of tax                         | -                      | -                              | -                                       | -                                   | -                                   | 3,159                | -                          | <b>3,159</b>    | -                                 | <b>3,159</b>          |
| <b>Employee share option scheme:</b>              |                        |                                |                                         |                                     |                                     |                      |                            |                 |                                   |                       |
| Share-based payments expense                      | -                      | -                              | -                                       | -                                   | -                                   | -                    | 1,139                      | <b>1,139</b>    | -                                 | <b>1,139</b>          |
| Deferred tax effect of share-based payments       | -                      | -                              | -                                       | -                                   | -                                   | -                    | 1,376                      | <b>1,376</b>    | -                                 | <b>1,376</b>          |
| Tax relief on exercise of share option            | -                      | -                              | -                                       | -                                   | -                                   | -                    | 76                         | <b>76</b>       | -                                 | <b>76</b>             |
| <b>Dividend paid</b>                              | -                      | -                              | -                                       | -                                   | -                                   | -                    | (81,712)                   | <b>(81,712)</b> | -                                 | <b>(81,712)</b>       |
| <b>At 31 December 2012</b>                        | 1,897                  | 8                              | -                                       | 12                                  | (19,714)                            | 13,173               | 150,648                    | <b>146,024</b>  | 827                               | <b>146,851</b>        |

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<br>at 31<br>December<br>2012 | Unaudited<br>at 31<br>December<br>2011 | Audited<br>at 30<br>June<br>2012 |
|------------------------------------------------------------------|------|----------------------------------------|----------------------------------------|----------------------------------|
|                                                                  | Note | £'000                                  | £'000                                  | £'000                            |
| <b>Non-current assets</b>                                        |      |                                        |                                        |                                  |
| Goodwill                                                         |      | 1,333                                  | 1,333                                  | 1,333                            |
| Other intangible assets                                          |      | 396                                    | 257                                    | 168                              |
| Property, plant and equipment                                    |      | 5,563                                  | 6,374                                  | 5,792                            |
| Deferred tax assets                                              |      | 4,657                                  | 5,675                                  | 2,939                            |
|                                                                  |      | 11,949                                 | 13,639                                 | 10,232                           |
| <b>Current assets</b>                                            |      |                                        |                                        |                                  |
| Trade and other receivables                                      | 15   | 166,066                                | 101,639                                | 142,606                          |
| Cash and cash equivalents                                        | 15   | 148,586                                | 112,075                                | 157,719                          |
| Investments                                                      | 14   | 985                                    | 2,165                                  | 2,228                            |
| Current tax assets                                               |      | 17                                     | 12                                     | 17                               |
|                                                                  |      | 315,654                                | 215,891                                | 302,570                          |
| <b>Total assets</b>                                              |      | 327,603                                | 229,530                                | 312,802                          |
| <b>Current liabilities</b>                                       |      |                                        |                                        |                                  |
| Trade and other payables                                         | 16   | 157,648                                | 94,459                                 | 136,952                          |
| Current tax liabilities                                          |      | 22,827                                 | 19,121                                 | 18,154                           |
|                                                                  |      | 180,475                                | 113,580                                | 155,106                          |
| <b>Net current assets</b>                                        |      | 135,179                                | 102,311                                | 147,464                          |
| <b>Non-current liabilities</b>                                   |      |                                        |                                        |                                  |
| Provisions                                                       |      | 277                                    | 121                                    | 277                              |
| <b>Total liabilities</b>                                         |      | 180,752                                | 113,701                                | 155,383                          |
| <b>Net assets</b>                                                |      | 146,851                                | 115,829                                | 157,419                          |
| <b>Equity</b>                                                    |      |                                        |                                        |                                  |
| Share capital                                                    | 17   | 1,897                                  | 1,897                                  | 1,897                            |
| Share premium account                                            |      | 8                                      | 8                                      | 8                                |
| Investment revaluation reserve                                   |      | -                                      | 126                                    | 160                              |
| Capital redemption reserve                                       |      | 12                                     | 12                                     | 12                               |
| Shares held by Employee Benefit Trust                            |      | (19,714)                               | (16,255)                               | (14,029)                         |
| EBT reserve                                                      |      | 13,173                                 | 10,089                                 | 10,014                           |
| Retained earnings                                                |      | 150,648                                | 119,746                                | 158,932                          |
| <b>Equity, attributable to equity shareholders of the parent</b> |      | 146,024                                | 115,623                                | 156,994                          |
| Non-controlling interests                                        |      | 827                                    | 206                                    | 425                              |
| <b>Total equity</b>                                              |      | 146,851                                | 115,829                                | 157,419                          |

The condensed consolidated financial statements of Hargreaves Lansdown plc, registered number 02122142, were approved by the board of directors on 5 February 2013, signed on its behalf and authorised for issue by:

**Tracey Taylor**  
Group Finance Director

## Condensed Consolidated Statement of Cash Flows

|                                                             |      | Unaudited<br>6 months<br>ended 31<br>December<br>2012 | Unaudited<br>6 months<br>ended 31<br>December<br>2011 | Audited<br>Year to<br>30 June<br>2012 |
|-------------------------------------------------------------|------|-------------------------------------------------------|-------------------------------------------------------|---------------------------------------|
|                                                             | Note | £'000                                                 | £'000                                                 | £'000                                 |
| <b>Net cash from operating activities, after tax</b>        | 18   | 73,592                                                | 56,152                                                | 122,549                               |
| <b>Investing activities</b>                                 |      |                                                       |                                                       |                                       |
| Interest received                                           |      | 1,438                                                 | 875                                                   | 2,158                                 |
| Dividends received from investments                         |      | -                                                     | -                                                     | 71                                    |
| Proceeds on disposal of available-for-sale investments      |      | -                                                     | -                                                     | 42                                    |
| Proceeds on disposal of plant and equipment                 |      | -                                                     | 2                                                     | 2                                     |
| Purchases of property, plant and equipment                  |      | (827)                                                 | (419)                                                 | (998)                                 |
| Purchase of intangible fixed assets                         |      | (363)                                                 | (79)                                                  | (104)                                 |
| Proceeds on disposal of investments                         |      | 1,264                                                 | 71                                                    | -                                     |
| <b>Net cash from investing activities</b>                   |      | 1,512                                                 | 450                                                   | 1,171                                 |
| <b>Financing activities</b>                                 |      |                                                       |                                                       |                                       |
| Purchase of own shares                                      |      | (8,655)                                               | -                                                     | -                                     |
| Proceeds on sale of own shares                              |      | 6,130                                                 | 70                                                    | 2,220                                 |
| Dividends paid                                              |      | (81,712)                                              | (66,548)                                              | (90,172)                              |
| <b>Net cash used in financing activities</b>                |      | (84,237)                                              | (66,478)                                              | (87,952)                              |
| <b>Net (decrease)/increase in cash and cash equivalents</b> |      | (9,133)                                               | (9,876)                                               | 35,768                                |
| <b>Cash and cash equivalents at beginning of period</b>     |      | 157,719                                               | 121,951                                               | 121,951                               |
| <b>Cash and cash equivalents at end of period</b>           |      | 148,586                                               | 112,075                                               | 157,719                               |

# Notes to the Condensed Consolidated Financial Statements

## 1. Basis of preparation

The Interim Financial Statements for the six months to 31 December 2012 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 2012 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](http://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 2012 as were applied in the Audited Annual Financial Statements for the year ended 30 June 2012.

## 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 2012, 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 2012 and 2011, 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<br>£'000 | Discretionary<br>and Managed<br>£'000 | Third Party/<br>Other Services<br>£'000 | Group<br>£'000  | Consolidation<br>Adjustment<br>£'000 | Consolidated<br>£'000   |
|----------------------------------------|------------------|---------------------------------------|-----------------------------------------|-----------------|--------------------------------------|-------------------------|
| <b>6 months ended 31 December 2012</b> |                  |                                       |                                         |                 |                                      |                         |
| Revenue from external customers        | 109,912          | 15,386                                | 15,016                                  | -               | -                                    | <b>140,314</b>          |
| Inter-segment revenue                  | -                | 2,164                                 | -                                       | -               | (2,164)                              | -                       |
| Total segment revenue                  | <u>109,912</u>   | <u>17,550</u>                         | <u>15,016</u>                           | <u>-</u>        | <u>(2,164)</u>                       | <u><b>140,314</b></u>   |
| Depreciation and amortisation          | 831              | 144                                   | 216                                     | -               | -                                    | <b>1,191</b>            |
| Interest revenue                       | -                | -                                     | -                                       | 1,438           | -                                    | <b>1,438</b>            |
| Other gains                            | -                | -                                     | -                                       | 181             | -                                    | <b>181</b>              |
| Reportable segment profit before tax   | <u>73,527</u>    | <u>10,120</u>                         | <u>8,754</u>                            | <u>1,307</u>    | <u>-</u>                             | <u><b>93,708</b></u>    |
| Reportable segment assets              | 150,400          | 18,174                                | 6,200                                   | 164,960         | (12,131)                             | <b>327,603</b>          |
| Reportable segment liabilities         | <u>(121,410)</u> | <u>(11,583)</u>                       | <u>(12,582)</u>                         | <u>(45,156)</u> | <u>9,979</u>                         | <u><b>(180,752)</b></u> |
| Net segment assets                     | <u>28,990</u>    | <u>6,591</u>                          | <u>(6,382)</u>                          | <u>119,804</u>  | <u>(2,152)</u>                       | <u><b>146,850</b></u>   |
| <b>6 months ended 31 December 2011</b> |                  |                                       |                                         |                 |                                      |                         |
| Revenue from external customers        | 87,047           | 13,156                                | 12,677                                  | -               | -                                    | <b>112,880</b>          |
| 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><b>112,880</b></u>   |
| Depreciation and amortisation          | 807              | 124                                   | 212                                     | -               | -                                    | <b>1,143</b>            |
| Interest revenue                       | -                | -                                     | -                                       | 875             | -                                    | <b>875</b>              |
| Other gains                            | -                | -                                     | -                                       | 1               | -                                    | <b>1</b>                |
| Reportable segment profit before tax   | <u>55,359</u>    | <u>8,774</u>                          | <u>7,195</u>                            | <u>627</u>      | <u>-</u>                             | <u><b>71,955</b></u>    |
| Reportable segment assets              | 84,144           | 9,283                                 | 7,928                                   | 131,630         | (3,455)                              | <b>229,530</b>          |
| Reportable segment liabilities         | <u>(62,380)</u>  | <u>(6,751)</u>                        | <u>(8,950)</u>                          | <u>(36,923)</u> | <u>1,303</u>                         | <u><b>(113,701)</b></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><b>115,829</b></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 6.3 pence per share (H1 2012: interim dividend 5.1p) amounting to a total dividend of £29.5 million (2012: £23.6 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 2012, the Group acquired property, plant, equipment and software assets with a cost of £1.2 million (H1 2012: £0.5 million, year to 30 June 2012: £1.1 million).

#### **Capital commitment**

At the balance sheet date, the Group had no significant capital commitments (31 December 2011: nil, 30 June 2012: 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 24 to 27 of the Group's Annual Report and Financial Statements 2012, a copy of which is available on the Group's website [www.hl.co.uk](http://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 2012 the value of such assets on the Group balance sheet was £149 million (at 31 December 2011: £112 million). A 100bps (1%) move in interest rates, in isolation, would therefore, 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.

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 not on the Group balance sheet.

### 7. Staff numbers

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

|           | Unaudited<br>6 months<br>ended 31<br>December<br>2012 | Unaudited<br>6 months<br>ended 31<br>December<br>2011 | Audited<br>Year to<br>30 June<br>2012 |
|-----------|-------------------------------------------------------|-------------------------------------------------------|---------------------------------------|
|           | No.                                                   | No.                                                   | No.                                   |
| Employees | 693                                                   | 643                                                   | 657                                   |

### 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<br>6 months<br>ended 31<br>December<br>2012 | Unaudited<br>6 months<br>ended 31<br>December<br>2011 | Audited<br>Year to<br>30 June<br>2012 |
|-------------------------------|-------------------------------------------------------|-------------------------------------------------------|---------------------------------------|
|                               | £'000                                                 | £'000                                                 | £'000                                 |
| <b>Revenue from services:</b> |                                                       |                                                       |                                       |
| Recurring income              | 114,345                                               | 90,898                                                | 192,609                               |
| Transactional income          | 22,642                                                | 20,367                                                | 42,479                                |
| Other income                  | 3,327                                                 | 1,615                                                 | 3,653                                 |
| <b>Total operating income</b> | <b>140,314</b>                                        | <b>112,880</b>                                        | <b>238,741</b>                        |

## Notes to the Condensed Consolidated Financial Statements

### 9. Investment revenues

|                                  | Unaudited<br>6 months<br>ended 31<br>December<br>2012 | Unaudited<br>6 months<br>ended 31<br>December<br>2011 | Audited<br>Year to<br>30 June<br>2012 |
|----------------------------------|-------------------------------------------------------|-------------------------------------------------------|---------------------------------------|
|                                  | £'000                                                 | £'000                                                 | £'000                                 |
| Interest on bank deposits        | 1,438                                                 | 875                                                   | 2,158                                 |
| Dividends from equity investment | -                                                     | -                                                     | 71                                    |
|                                  | 1,438                                                 | 875                                                   | 2,229                                 |

### 10. Other gains

|                                           | Unaudited<br>6 months<br>ended 31<br>December<br>2012 | Unaudited<br>6 months<br>ended 31<br>December<br>2011 | Audited<br>Year to<br>30 June<br>2012 |
|-------------------------------------------|-------------------------------------------------------|-------------------------------------------------------|---------------------------------------|
|                                           | £'000                                                 | £'000                                                 | £'000                                 |
| Gain/(loss) on disposal of current assets | 182                                                   | 1                                                     | (2)                                   |

### 11. Tax

|                                                                                                                                                | Unaudited<br>6 months<br>ended 31<br>December<br>2012 | Unaudited<br>6 months<br>ended 31<br>December<br>2011 | Audited<br>Year to<br>30 June<br>2012 |
|------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------|-------------------------------------------------------|---------------------------------------|
|                                                                                                                                                | £'000                                                 | £'000                                                 | £'000                                 |
| The tax charge for the period is based on the anticipated effective rate of tax for the year to 30 June 2013 of 23.86% (30 June 2012: 26.03%). |                                                       |                                                       |                                       |
| Current tax                                                                                                                                    | 22,811                                                | 19,209                                                | 39,959                                |
| Deferred tax                                                                                                                                   | (342)                                                 | (168)                                                 | (439)                                 |
|                                                                                                                                                | 22,469                                                | 19,041                                                | 39,520                                |

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

|                                                 | Unaudited<br>6 months<br>ended 31<br>December<br>2012 | Unaudited<br>6 months<br>ended 31<br>December<br>2011 | Audited<br>Year to<br>30 June<br>2012 |
|-------------------------------------------------|-------------------------------------------------------|-------------------------------------------------------|---------------------------------------|
|                                                 | £'000                                                 | £'000                                                 | £'000                                 |
| Deferred tax relating to share-based payments   | 1,376                                                 | (2,610)                                               | 5,617                                 |
| Current tax relief on exercise of share options | 76                                                    | (1)                                                   | (4,636)                               |
|                                                 | 1,452                                                 | (2,611)                                               | 981                                   |

## Notes to the Condensed Consolidated Financial Statements

### 12. Dividends paid

|                                                                                      | Unaudited<br>6 months<br>ended 31<br>December<br>2012 | Unaudited<br>6 months<br>ended 31<br>December<br>2011 | Audited<br>Year to<br>30 June<br>2012 |
|--------------------------------------------------------------------------------------|-------------------------------------------------------|-------------------------------------------------------|---------------------------------------|
|                                                                                      | £'000                                                 | £'000                                                 | £'000                                 |
| <b>Amounts paid and recognised as distributions to equity holders in the period:</b> |                                                       |                                                       |                                       |
| 2012 Final dividend of 10.65p per share                                              | 49,756                                                | -                                                     | -                                     |
| 2012 Special dividend of 6.84p per share                                             | 31,956                                                | -                                                     | -                                     |
| 2012 Interim dividend of 5.1p per share                                              | -                                                     | -                                                     | 23,624                                |
| 2011 Final dividend of 8.41p per share                                               | -                                                     | 38,947                                                | 38,947                                |
| 2011 Special dividend of 5.96p per share                                             | -                                                     | 27,601                                                | 27,601                                |
| <b>Total</b>                                                                         | <b>81,712</b>                                         | <b>66,548</b>                                         | <b>90,172</b>                         |

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<br>6 months<br>ended 31<br>December<br>2012 | Unaudited<br>6 months<br>ended 31<br>December<br>2011 | Audited<br>Year to<br>30 June<br>2012 |
|-------------------------------------------------------------------------------------|-------------------------------------------------------|-------------------------------------------------------|---------------------------------------|
| Number of shares held by the<br>Hargreaves Lansdown Employee Benefit Trust (HL EBT) | 6,235,370                                             | 11,108,038                                            | 7,263,396                             |
| Representing % of called-up share capital                                           | 1.31%                                                 | 2.34%                                                 | 1.53%                                 |

### 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 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.

|                                                                                                                   | Unaudited<br>6 months<br>ended 31<br>December<br>2012 | Unaudited<br>6 months<br>ended 31<br>December<br>2011 | Audited<br>Year to<br>30 June<br>2012 |
|-------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------|-------------------------------------------------------|---------------------------------------|
|                                                                                                                   | £'000                                                 | £'000                                                 | £'000                                 |
| <b>Earnings (all from continuing operations)</b>                                                                  |                                                       |                                                       |                                       |
| Earnings for the purposes of basic and diluted EPS being net profit attributable to equity holders of the Company | 70,837                                                | 52,774                                                | 112,960                               |
| Earnings for the purpose of basic and diluted EPS                                                                 | 70,837                                                | 52,774                                                | 112,960                               |

## Notes to the Condensed Consolidated Financial Statements

### 13. Earnings per share (EPS) (continued)

|                                                                            | Number       | Number       | Number       |
|----------------------------------------------------------------------------|--------------|--------------|--------------|
| <b>Number of shares</b>                                                    |              |              |              |
| Weighted average number of ordinary shares for the purposes of diluted EPS | 471,324,485  | 468,767,423  | 469,424,156  |
| Shares held by HL EBT which have not vested unconditionally with employees | (3,747,563)  | (5,461,307)  | (2,304,199)  |
| Weighted average number of ordinary shares for the purposes of basic EPS   | 467,576,923  | 463,306,116  | 467,119,957  |
|                                                                            | <b>Pence</b> | <b>Pence</b> | <b>Pence</b> |
| Basic EPS                                                                  | 15.1         | 11.4         | 24.2         |
| Diluted EPS                                                                | 15.0         | 11.3         | 24.1         |

### 14. Investments

|                                                                               | Unaudited<br>6 months<br>ended 31<br>December<br>2012 | Unaudited<br>6 months<br>ended 31<br>December<br>2011 | Audited<br>Year to<br>30 June<br>2012 |
|-------------------------------------------------------------------------------|-------------------------------------------------------|-------------------------------------------------------|---------------------------------------|
|                                                                               | <b>£'000</b>                                          | <b>£'000</b>                                          | <b>£'000</b>                          |
| At beginning of period                                                        | 2,228                                                 | 2,240                                                 | 2,240                                 |
| Sales                                                                         | (1,264)                                               | (71)                                                  | (42)                                  |
| Net increase/(decrease) in value of available-for-sale investments            | 21                                                    | (4)                                                   | 30                                    |
| At end of period                                                              | 985                                                   | 2,165                                                 | 2,228                                 |
| <b>Comprising:</b>                                                            |                                                       |                                                       |                                       |
| Current asset investment - UK listed securities valued at quoted market price | 244                                                   | 1,424                                                 | 1,487                                 |
| Current asset investment - Unlisted securities valued at cost                 | 741                                                   | 741                                                   | 741                                   |

£244,000 (31 December 2011: £279,000, 30 June 2012: £308,000) of investments are classified as held at fair value through profit and loss and £741,000 (31 December 2011: £1,886,000, 30 June 2012: £1,920,000) 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<br>6 months<br>ended 31<br>December<br>2012 | Unaudited<br>6 months<br>ended 31<br>December<br>2011 | Audited<br>Year to<br>30 June<br>2012 |
|------------------------------------|-------------------------------------------------------|-------------------------------------------------------|---------------------------------------|
| <b>Trade and other receivables</b> | <b>£'000</b>                                          | <b>£'000</b>                                          | <b>£'000</b>                          |
| Trade receivables                  | 126,949                                               | 72,025                                                | 105,654                               |
| Other receivables                  | 48                                                    | 475                                                   | 91                                    |
| Prepayments and accrued income     | 39,069                                                | 29,139                                                | 36,861                                |
|                                    | 166,066                                               | 101,639                                               | 142,606                               |

## 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 £111.8 million (31 December 2011: £60.2 million, 30 June 2012: £93.4 million) are included in trade receivables.

|                                                            | Unaudited<br>6 months<br>ended 31<br>December<br>2012 | Unaudited<br>6 months<br>ended 31<br>December<br>2011 | Audited<br>Year to<br>30 June<br>2012 |
|------------------------------------------------------------|-------------------------------------------------------|-------------------------------------------------------|---------------------------------------|
|                                                            | £'000                                                 | £'000                                                 | £'000                                 |
| <b>Cash and cash equivalents</b>                           |                                                       |                                                       |                                       |
| Cash and cash equivalents                                  | 148,586                                               | 112,075                                               | 157,719                               |
| Comprising:                                                |                                                       |                                                       |                                       |
| Restricted cash - client settlement account balances       | 15,476                                                | 10,354                                                | 12,644                                |
| Restricted cash - balances held by Hargreaves Lansdown EBT | 153                                                   | 450                                                   | 2,695                                 |
| Group cash and cash equivalent balances                    | 132,957                                               | 101,271                                               | 142,380                               |

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 2012 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 £3,080 million (31 December 2011: £2,615 million, 30 June 2012: £2,922 million).

### 16. Other financial liabilities

|                                 | Unaudited<br>6 months<br>ended 31<br>December<br>2012 | Unaudited<br>6 months<br>ended 31<br>December<br>2011 | Audited<br>Year to<br>30 June<br>2012 |
|---------------------------------|-------------------------------------------------------|-------------------------------------------------------|---------------------------------------|
|                                 | £'000                                                 | £'000                                                 | £'000                                 |
| <b>Trade and other payables</b> |                                                       |                                                       |                                       |
| <b>Current payables</b>         |                                                       |                                                       |                                       |
| Trade payables                  | 127,097                                               | 70,846                                                | 107,206                               |
| Social security and other taxes | 4,407                                                 | 1,654                                                 | 7,615                                 |
| Other payables                  | 11,854                                                | 12,425                                                | 7,806                                 |
| Accruals and deferred income    | 14,290                                                | 9,534                                                 | 14,325                                |
|                                 | 157,648                                               | 94,459                                                | 136,952                               |

In accordance with market practice, certain balances with clients, Stock Exchange member firms and other counterparties totalling £126.4 million (31 December 2011: £69.9 million, 30 June 2011: £105.6 million) are included in trade payables. Accruals and other payables principally comprise amounts outstanding for trade purchases and ongoing costs.

### 17. Share capital

|                                   | Unaudited<br>6 months<br>ended 31<br>December<br>2012 | Unaudited<br>6 months<br>ended 31<br>December<br>2011 | Audited<br>Year to<br>30 June<br>2012 |
|-----------------------------------|-------------------------------------------------------|-------------------------------------------------------|---------------------------------------|
|                                   | £'000                                                 | £'000                                                 | £'000                                 |
| <b>Issued and fully paid:</b>     |                                                       |                                                       |                                       |
| Ordinary shares of 0.4p           | 1,897                                                 | 1,897                                                 | 1,897                                 |
|                                   | <b>Shares</b>                                         | <b>Shares</b>                                         | <b>Shares</b>                         |
| <b>Issued and fully paid:</b>     |                                                       |                                                       |                                       |
| 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<br>6 months<br>ended 31<br>December<br>2012 | Unaudited<br>6 months<br>ended 31<br>December<br>2011 | Audited<br>Year to<br>30 June<br>2012 |
|-----------------------------------------------------------------|-------------------------------------------------------|-------------------------------------------------------|---------------------------------------|
|                                                                 | £'000                                                 | £'000                                                 | £'000                                 |
| <b>Profit for the period after tax</b>                          | 71,239                                                | 52,914                                                | 113,319                               |
| Adjustments for:                                                |                                                       |                                                       |                                       |
| Investment revenues                                             | (1,438)                                               | (875)                                                 | (2,158)                               |
| Other gains                                                     | -                                                     | (1)                                                   | (71)                                  |
| Income tax expense                                              | 22,469                                                | 19,041                                                | 39,520                                |
| Depreciation of plant and equipment                             | 1,051                                                 | 1,025                                                 | 2,186                                 |
| Amortisation of intangible assets                               | 140                                                   | 118                                                   | 229                                   |
| (Profit)/loss on disposal                                       | (182)                                                 | -                                                     | 2                                     |
| Share-based payment expense                                     | 1,139                                                 | 1,142                                                 | 2,136                                 |
| Increase in provisions                                          | -                                                     | 62                                                    | 218                                   |
| <b>Operating cash flows before movements in working capital</b> | 94,418                                                | 73,426                                                | 155,381                               |
| (Increase)/decrease in receivables                              | (23,460)                                              | 74,539                                                | 33,572                                |
| Increase/(decrease) in payables                                 | 20,696                                                | (72,980)                                              | (30,487)                              |
| <b>Cash generated by operations</b>                             | 91,654                                                | 74,985                                                | 158,466                               |
| Income taxes paid                                               | (18,062)                                              | (18,833)                                              | (35,917)                              |
| <b>Net cash from operating activities after tax</b>             | 73,592                                                | 56,152                                                | 122,549                               |

### 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 2012 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  
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

Barclays  
Numis Securities Limited

### REGISTRARS

Equiniti Limited

### REGISTERED OFFICE

One College Square South  
Anchor Road  
Bristol  
BS1 5HL

### REGISTERED NUMBER

02122142

### WEBSITE

[www.hl.co.uk](http://www.hl.co.uk)

### DIVIDEND CALENDAR 2012/13

|                   | First dividend (interim)    | Second dividend                 |
|-------------------|-----------------------------|---------------------------------|
| Ex-dividend date* | 13 <sup>th</sup> March 2013 | 11 <sup>th</sup> September 2013 |
| Record date**     | 15 <sup>th</sup> March 2013 | 13 <sup>th</sup> September 2013 |
| Payment date      | 11 <sup>th</sup> April 2013 | 30 <sup>th</sup> September 2013 |

\* 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.