Hargreaves Lansdown plc

Unaudited Preliminary Results Announcement Year ended 30 June 2014

Embargoed: for release at 0700h, 3 September 2014

Hargreaves Lansdown grows revenue, profits, assets under administration and active client numbers to new record levels.

Hargreaves Lansdown plc ("Hargreaves Lansdown" or the "Company") is pleased to announce its preliminary results for the year ended 30 June 2014.

Highlights:

- Total assets under administration up 29% at £46.9 billion
- Net revenue increased by 8% to £291.9 million
- Operating profit increased by 8% to £208.0m
- Continued strong organic growth
- Total clients increased by 144,000 to 652,000 since June 2013
- Total dividend up 8% at 32.00 pence per share

	Year to 30 June 2014	Year to 30 June 2013	**Change %**
Net Revenue	**£291.9m**	£269.2m	**+8%**
Profit before tax	**£209.8m**	£195.2m	**+7%**
Operating profit margin (on net revenue)	**71.3%**	71.5%	**-0.2pts**
Total assets under administration	**£46.9bn**	£36.4bn	**+29%**
Diluted earnings per share	**34.2p**	31.4p	**+9%**
Net business inflows	**£6.4bn**	£5.1bn	**+25%**

Ian Gorham, Chief Executive, commented:

"During the year we have continued to expand and improve the services we provide to our clients whilst also dealing with major regulatory change. Hargreaves Lansdown has not only retained but furthered its market leading position. Our clients have entrusted a further £6.4 billion to us such that we now administer £46.9 billion of assets. We have also welcomed 144,000 new clients during the year, with clients now totalling 652,000. This has led to an 8% increase in net revenues and 7% growth in profits. We thank our diligent staff for their efforts and our clients for their continued loyalty."

About us:

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

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

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

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Analysts' presentation

Hargreaves Lansdown will be hosting an investor and analyst presentation at 9.00am on 3 September 2014 following the release of the results for the year ended 30 June 2014. Access is by invitation only. Slides accompanying the analyst presentation will be available this morning at www.hl.co.uk/investor-relations and an audio recording of the analyst presentation will be available by close of day.

Forward-looking statements

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

Extract from Chairman's Statement

"I have great pleasure introducing our Annual Report for the year ended 30 June 2014 in which we announce another strong set of results."

This year has been dominated by regulation. The introduction of the Retail Distribution Review in April has necessitated significant Board and management attention. Successfully designing, announcing and implementing a completely new charging structure for our clients holding fund investments to the satisfaction of our clients, our shareholders and the regulator was a major achievement. Despite this challenge, we managed to maintain our focus on growing the business organically, enhancing our digital proposition, adding functionality to our stockbroking business whilst continuing to work on improvements to and the long term sustainability of our IT platform.

Notwithstanding these challenges, the Group has once again increased both profits and assets under administration as we achieved record new business flows and record new client numbers. We continue to be a financially strong organisation with a simple, strong, debt-free balance sheet retaining a healthy margin over the regulatory capital adequacy requirements. Therefore after careful review of the company's future cash requirements, the Board has decided to increase the dividend by paying a second interim ordinary dividend of 15.39p per share (2013: 14.38p) and an increased special dividend of 9.61p per share (2013: 8.91p) representing total dividends for the year of 32.0p per share (2013: 29.59p); an increase of 8%.

Good governance continues to be at the heart of what we do. The majority of the agreed actions from last year's Board effectiveness review have been implemented, with the introduction of more frequent board meetings and a greater focus on strategy. Much attention has been paid to developing the talent within the business and refreshing the organisational structure to meet the future challenges of the Group.

In October 2013, we made a number of changes to our Board and Committee membership: we were delighted to welcome Shirley Garrood to the Board as a new independent Non-Executive Director and Chairman of the Audit Committee, Chris Barling was appointed as Senior Independent Director and Chairman of the Remuneration Committee and Jonathan Bloomer stepped down after over seven years on the Board. Jonathan's extensive experience of the financial services industry and thoughtful contributions have been very valuable. On behalf of the Board I would like to thank him for all his contributions.

As ever, the coming year will be a challenging one with competition intensifying in all areas of our business but we remain well placed to continue to satisfy our clients and thrive in our chosen markets. Our people are integral to our success and, as always my gratitude goes to the Board and the talented people we employ for their continuing hard work, diligence and enthusiasm.

Michael Evans
Chairman
3 September 2014

Extract from Chief Executive's Review

We are pleased to present our results for the year ended 30 June 2014, once again reporting record new clients (+89%), net new business (+25%) and operating profits (+8%).

The year to 30 June 2014 was characterised by continued substantial new asset and client flows into Hargreaves Lansdown's services and successful adoption of extensive regulatory change.

The standout result was our record growth in net new business and clients. Net new business was £6.4 billion (+25%) and we welcomed 144,000 net new clients (+89% compared to last year).

Hargreaves Lansdown is the largest business of its type in the UK, with an estimated 32% of the direct investment market (Source: The Direct Platform Guide Issue 4, February 2014), up from 28% last year.

High service levels were rewarded not only through record new clients and assets, but also through a number of awards. We were delighted to be voted by Which? as the U.K.'s best and recommended investment platform. Hargreaves Lansdown also won numerous other awards, including the Platforum's best user experience and Management Today's Britain's Most Admired Company for Speciality and Other finance.

During the year the company had to cope with major regulatory change, the most significant of which being the FCA's Retail Distribution Review ("RDR"). We are pleased we have been able to deliver this change successfully and delivered lower costs of investing for the majority of our clients at the same time. We now look forward to seeking to maintain our success in our growing marketplace.

Hargreaves Lansdown's 2014 results

We are pleased to report a record profit before tax of £209.8 million, up 7% on last year's £195.2 million. Our ability to attract and retain assets and clients by accessing key distribution channels and delivery of service excellence continues to be a primary driver of revenue growth. Our revenue has also been enhanced by growth in complementary services such as stockbroking, fund management, discretionary management and pension drawdown services.

We also report a 29% increase in client assets under administration from £36.4 billion to £46.9 billion. Net new business for the year was £6.4 billion (2013: £5.1 billion) with market movement and other factors adding a further £4.1 billion. An additional net new 144,000 investors (2013: 76,000) became clients during the year, of which 42,000 related to IPOs, taking total active clients for Vantage and advised services combined to 652,000.

Positive sentiment, allied to continued low interest rates, served to improve stock markets during the year, with the FTSE All-Share index advancing 9.4% in the year to 30 June 2014.

The interest rate environment remains depressed, and therefore income from cash balances has reduced over the period. Interest income should increase when rates recover. However, in the short term we are experiencing reduced margins on cash balances which is the primary reason why asset and client growth exceeded expansion in profit.

A busy year of stock market activity has been beneficial to Hargreaves Lansdown in terms of adding new clients and new business. Of particular note was the Royal Mail flotation, where around 118,000 people, approximately 18.5% of the UK public who invested in Royal Mail shares, did so through Hargreaves Lansdown. We saw days when up to 60,000 people tried to call Hargreaves Lansdown, and during the two key weeks of the Royal Mail flotation our website received 3.5 million hits. For a short period of time this put pressure on service levels. We have implemented changes as a result of this experience and service levels were improved as we dealt with the combined peak impact of the TSB flotation and Woodford fund launch in June 2014.

Our Corporate Vantage service continues to expand, with 211 schemes live or in implementation (2013: 167). This increase in schemes has been accompanied by a 59% increase in Corporate Vantage assets, which now stand at £984 million, and post year-end passed the £1 billion landmark. Although this project remains long-term in nature we remain satisfied with the success to date.

2014/2015 market outlook

There are welcome signs of a return to stronger economic trading conditions, and greater capitalisation of banks has served to enhance stability across most markets. Whether this will translate into stronger stock markets remains to be seen. In particular markets are likely to be influenced by the performance of Asian economies, particularly China, and markets generally remain subject to the influence of geopolitical events.

Company outlook

The delivery of the changes required by the Retail Distribution Review engaged company resources and time for the best part of 18 months. Whilst regulatory intervention across the financial services industry shows no sign of reducing, with the Retail Distribution Review having been delivered successfully we are now able to re-deploy staff and resources on improving the business.

Our core strategic priorities remain as; the delivery of growth in assets and client numbers through the provision of excellent and efficient service, research and information at good value.

We shall also seek to enhance our complementary revenue generating services over the coming year. This will include expanding our range of successful multi-manager funds, enhancing our cash strategy, and considering other growth opportunities. At the same time, we will remain focused on our core business, delivering improvements and enhancements to our service to delight our clients, and continuing to enhance our distribution through the addition of new channels.

The impact of regulation and government policy

During the year we implemented the remaining requirements of the retail distribution review. From 1 March 2014 clients began paying charges for holding investment funds with Hargreaves Lansdown, and in return more commission received on those funds was returned to them. By 6 April 2016 Hargreaves Lansdown will not retain any commission on Vantage fund investments.

This change has been a massive undertaking, requiring the design of a new competitive charging structure with few reference points, and then the communication of the changes to clients and seamless implementation. After an understandable period of familiarisation and questions clients seem to have accepted the changes, recognising the value of the Hargreaves Lansdown service and our competitive charges and enjoying our (often exclusive) discounts on fund management charges from leading houses that we have negotiated. It was gratifying to note that the third quarter of our year, where these changes took effect, was a record quarter. In this year of change, client and asset retention ratios have remained high at 93.3% and 92.3% respectively.

Regulation has also substantially affected revenue from cash in the form of interest margin. The reasons for this are twofold. Risk averse governments and regulators requiring greater capitalisation of major banks has reduced banks' demand for cash deposits. At the same time, recent regulatory constraints on the ability to place cash on longer term deposit have also been imposed. There are several potential mitigating strategies to partially address these structural changes, focused around the technicalities of how monies are classified and held. We expect that in the short term our cash margin will reduce slightly but longer term these mitigating strategies should offset some of the effect. If interest rates rise, we also expect this to have a positive effect on revenue.

On the plus side, coupled with some welcome ISA changes, revolutionary changes to pensions will mean that the UK public now has previously unheard-of flexibility of pension saving. Whilst in the short term we have seen a reduction in annuity business of around 50%, this has been counteracted by a substantial shift to drawdown arrangements. New assets into pensions drawdown arrangements were up 35% on the year. From our perspective, the opportunity to help clients make the most of their money for longer is beneficial both for investors and for company revenue, as our relationship with the client continues for longer under drawdown than an annuity purchase. As we are a major provider of both independent annuity broking and drawdown services in the UK, we are planning a range of enhancements to our pension services to reflect the opportunities offered by the new regime.

We also expect some positive regulatory change around the information and guidance that we can give to clients. These changes are currently being consulted upon by the Financial Conduct Authority. There seems to be an increasing realisation amongst government and regulators that providing online and telephone-based information will be the most effective primary method for the UK public to be properly informed about financial matters in future. This realisation has been accelerated by various promises from the authorities that the public will have access to "the information they need", in particular as part of pensions reform. We welcome these changes, which potentially allow us to expand our information, research and ability to assist clients without increased liability.

Corporate citizenship

Hargreaves Lansdown is an ethical company and champion of the retail investor. We campaign tirelessly on behalf of retail investors to improve their lot and their wealth.

This year we instigated further price competition within the fund industry which has resulted in reduced costs of both active and passive funds for investors. The market leading discounts we have negotiated on some of the best UK funds will save our clients millions of pounds over the coming years. The 2015 financial year should also see the ability for children with child trust funds to transfer them to Junior ISAs for the first time, allowing more than 6 million children to potentially benefit from lower charges, better service and returns. This change is also something we have campaigned for over a considerable period and we are delighted to see it come to pass.

Other campaigns have included making it easier and quicker for investors to transfer their investments and pensions from one provider to another, campaigning to reform the retirement annuity market, which means we welcome the Chancellor's recent announcement of greater freedoms for pension investors at retirement, and we are currently challenging HMRC on the issue of taxation of loyalty bonuses, the so called "discount tax". A successful challenge would see money being returned to investors.

Hargreaves Lansdown will again pay its corporate taxes in full in the UK, and we shall continue to seek to be a role model for how financial services companies deliver a great service, reputable behaviour and profitability in harmony with the UK public.

During the year the company supported Penny Brohn Cancer Care as its staff charity, the Youth Adventure Trust and the Wallace and Gromit Grand Appeal, amongst others.

Conclusion

I would like to thank our clients, shareholders, staff and my fellow directors in what has been a very busy year and one of significant change. The support and dedication they have shown has delivered another set of great results.

Ian Gorham
Chief Executive 3 September 2014

Extract from Business and Financial Review

Despite a year of significant regulatory change, we have maintained our track record of growth and have again achieved record results for the Group in terms of revenue and profits. Record levels of organic growth from new business and new clients mean that we now look after a record £46.9bn of AUA on behalf of our clients.

Financial Performance

	Year ended 30 June 2014 £'million	Year ended 30 June 2013 £'million	% movement
Revenue	**358.4**	292.4	**+23%**
Commission payable / loyalty bonus	**(66.5)**	(23.2)	**+187%**
Net revenue	**291.9**	269.2	**+8%**
Other operating costs	**(83.1)**	(77.2)	**+8%**
Total FSCS levy	**(0.8)**	0.5	
Operating profit	**208.0**	192.5	**+8%**
Non-operating income	**1.8**	2.7	**-33%**
Profit before taxation	**209.8**	195.2	**+7%**
Taxation	**(47.1)**	(46.2)	**+2%**
Profit after taxation	**162.7**	149.0	**+9%**
Basic earnings per share (pence)	34.5	31.7	**+9%**
Diluted earnings per share (pence)	34.2	31.4	**+9%**

The Group achieved net revenues of £291.9m, an 8% increase compared to FY 2013, driven primarily by increased levels of AUA and share dealing commission.

Continued robust control of costs and scalable operations has contributed to maintain a high net operating profit margin which fell slightly to 71.3% (FY 2013: 71.5%).

The effective tax rate for the Group this year was 22.4% (FY 2013: 23.7%). The 8% increase in operating profit, together with a lower rate of corporation tax, combined to increase the diluted earnings per share from 31.4 pence to 34.2 pence per share.

Assets Under Administration (AUA) and new business inflows

During the year the value of total AUA has increased by 29%. The Group achieved net new business inflows of £6.4 billion, and the positive impact of the rise in investment markets and other growth factors increased client assets by a further £4.1 billion. Total AUA can be broken down as follows:

	At 30 June 2014 (£'billion)	At 30 June 2013 (£'billion)	% movement
Vantage Assets Under Administration (AUA)	**44.2**	34.2	**+29%**
Assets Under Administration and Management (AUM)			
- Portfolio Management Service (PMS)	**2.6**	2.1	**+24%**
- Multi-manager funds held outside of PMS	**1.9**	1.2	**+58%**
AUM Total	**4.5**	3.3	**+36%**
Less: Multi-manager funds (AUM) included in Vantage AUA	**(1.9)**	(1.2)	**+58%**
Total Assets Under Administration	**46.9**	36.4	**+29%**

Net new business in the Vantage SIPP, ISA and other Vantage nominee accounts was respectively £2.1 billion, £2.2 billion and £1.8 billion (2013: £1.8 billion, £1.9 billion, £1.1 billion), in total £6.1 billion (2013: £4.8 billion).

Net new business generated within PMS was also strong at £304 million (2013: £271 million). The increase was assisted by an increase in the number of financial advisers employed by the Group this year.

Investment markets improved during the year, with the average month-end level of the FTSE All-Share index being 11.9% higher compared to FY 2013, contributing to market growth of £4.0 billion in Vantage AUA and £0.2 billion in PMS.

The second half of the year is our busiest as the tax year-end is an important driver of new business. This year £3.60 billion of net new business came in the second half versus £3.45 billion for the prior year comparative. The comparative was boosted by the introduction of a loyalty bonus on Vantage SIPP accounts, the requirement to offer in-specie transfer of client assets following phase 1 of RDR and significantly increasing stock markets. This year UK stock markets have largely been flat in the second half and the only real fresh impetus has come from the TSB IPO and Woodford fund launches both of which took place in June 2014 and resulted in c£293m of new business. Achieving such a strong net new business figure, in a period when we have communicated and implemented the significant client tariff changes resulting from the Retail Distribution Review, has been very pleasing and testament to the value our clients place on our services.

Cash deposit rates on offer from banks have remained at historically low levels, partly as a result of the government's "Funding for Lending" scheme. Those seeking a higher return have turned to alternative investment options such as funds and shares, which offer higher yields and potential capital growth. This factor has spurred clients to divert more of their savings into investments in Vantage.

More clients are investing through Hargreaves Lansdown than ever before. In total we now administer investments for 652,000 clients (2013: 507,000, +29%).

Total revenue

Following the implementation of the RDR we now focus on the net revenue of the Group as this gives a better indication of the year-on-year performance. Total net revenue was up 8% for the year as the group benefitted from record highs of AUA, net new business, new active clients and transaction volumes.

Vantage net revenue increased by 8% but was held back by the reduction in interest revenue resulting from lower interest margins. The increase in other revenue streams excluding interest revenue was 29%, which shows that the underlying performance of the division is strong but was held back by the interest rate margin which is a factor largely outside of our control. The Discretionary division only has a negligible amount of interest revenue and hence the growth in AUA and net new business can clearly be seen as drivers of the strong 32% growth in revenue. Third party and other services net revenue fell principally as we focus less on third party business and because of the drop off in annuity commission following pension reforms introduced in the March 2014 budget. Other services such as foreign currency and Funds Library continue to show underlying growth and we would expect this to continue.

Net Revenue	**% movement**	**Year ended 30 June 2014 £'million**	Year ended 30 June 2013 £'million
Vantage	**+8%**	**221.0**	204.3
Discretionary	**+32%**	**44.9**	34.0
Third Party and Other services	**-16%**	**26.0**	30.9
Total net revenue	**+8%**	**291.9**	269.2

Growing the value of AUA was a key factor in driving net revenue up by 8%. Average levels of AUA were up by 36% in Vantage. The assets held in Vantage can be split between funds, shares and other stock and cash.

The net revenue margin earned on each asset class varies. Investment funds on average represented 54% of Vantage AUA and the net revenue margin earned was 56 bps (2013: 62bps). The reduction related to the new RDR pricing implemented in March 2014 which represented a conscious investment by Hargreaves Lansdown to make investing in funds cheaper for our clients. This is in accordance with our long-term strategy of lowering the cost of investing for our clients over time which in turn will help retain existing and attract new clients and assets. The pre-RDR net margin on funds was 60bps while post RDR it was 49bps. Looking ahead the post RDR net revenue margin will trend down as we move through the transition phase of RDR until April 2016 when any renewal commissions still received from fund management groups relating to pre-RDR funds will be passed on fully to clients. From this point, barring any other changes, we would expect the net revenue margin earned on investment funds to be c44bps.

Shares on average represented 37% of Vantage AUA. The revenue margin on shares and other stock was 35bps (2013: 37bps). The increase in share dealing volumes helps to improve the margin but counteracting that are the caps in place in the SIPP and Stocks and Share ISA accounts, which limit the ability to charge fees on shares once holdings are above £44,444 in the SIPP and £10,000 in the ISA. Over time as clients grow their portfolio of shares this could cause a slight dilution to the margin.

Cash on average represented 9% of Vantage AUA. As mentioned above, as expected, the interest revenue margin earned on cash balances has fallen significantly during the year from an average of 185bps in FY2013 to an average of 91bps in FY2014. We start the 2015 financial year with an interest revenue margin for July 2014 of 70 bps.

In the short term cash margin is likely to continue to reduce as interest rates attainable from banks fall further, largely as a result of BASEL 3 and CRD 4 regulatory changes affecting banks and new FCA regulations which effectively restrict the use of term deposits to durations of no more than 30 days. There is an alternative treatment available for client money held in the SIPP, which equates to 51% of total client money, such that term deposits may still be used. Work is progressing to achieve this treatment which will mitigate some of the downward pressure on the interest revenue margin. In addition we are exploring other options available to us that will enable us to achieve a better return on cash balances and offer improved cash services to our clients. Following a period of unprecedented low interest rates in the UK, sentiment suggests that within the next 12 months the Bank of England may start to increase interest rates. Such a move should have a positive effect on the interest revenue margin.

Vantage

As highlighted in the Chief Executive's statement, during the year we implemented the remaining requirements of the RDR. As a consequence the total revenue earned from investment funds held by clients significantly increased as a new platform fee was introduced ranging from 45bps down to nil depending on the value of funds held by clients in their various accounts. At the same time commission income is being received from the fund management groups on funds purchased by clients before the RDR implementation date. Where we still receive commission on these pre RDR or "legacy funds" the vast majority is now passed back to our clients in the form of a significantly higher loyalty bonus. In order to compare performance year-on-year it is therefore necessary to look at net revenue which is total revenue less the loyalty bonus.

The Vantage division increased its net revenues by £16.7 million or 8%, from £204.3 million to £221.0 million. Positive growth factors were the 29% growth in AUA this year, the impact of a full year's income on assets gathered during the previous year and the significantly higher share dealing volumes which improved stockbroking commission by £12.3m. Offsetting these growth factors was, as expected, a further decline in interest on client money which fell from £58.7 million to £33.7 million as the interest rate margin declined significantly.

The £6.1 billion growth in AUA resulting from net new business inflows, or 'organic growth', represented 18% this year (2013: 20%).

The increase in AUA derived from stock market and other growth factors was 12% (2013: 19%). The combined impact of organic growth and market growth resulted in SIPP AUA growing by 28%, ISA by 26% and the Fund and Share account by 35%.

Included within the Fund and Share account is a significant holding in Hargreaves Lansdown plc shares which increased in value by 31% during the year. Excluding Hargreaves Lansdown shares, the growth in Fund and Share AUA was 37%.

As at 30 June 2014, the value of the Vantage ISA was £17.1 billion, (30 June 2013: £13.6 billion), the Vantage SIPP was £13.4 billion (30 June 2013: £10.4 billion) and the Vantage Fund and Share Account was £13.8 billion (30 June 2013: £10.2 billion).

During the year the number of active Vantage clients increased by 143,000 to 643,000, including a total of 16,000 new Corporate Vantage scheme members, taking the total Corporate Vantage members to 42,000 (2013: 26,000). We now administer 192,000 SIPP accounts, 462,000 ISA accounts and 243,000 Fund and Share accounts on behalf of our clients.

28% more clients contributed to their SIPP than in the year to 30 June 2013, with the average new contribution into a Vantage SIPP this year reducing by 6% to £8,275. There was a also a 41% increase to the number of clients subscribing to their Vantage Stocks and Share ISA with the average subscription decreasing by 3% to £8,178.

Clients continued to transfer SIPP and ISA investments held elsewhere into our Vantage service. The value of transfers in increased this year by a significant 24%. More clients sought to consolidate their investments and benefit from the advantages of having them all held in one place with a company they trust.

Clients have decreased their cash weightings during the period as investor sentiment improved and clients were prepared to take on more risk given the low interest rates available on cash. The composition of assets across the whole of Vantage at 30 June 2014 was 9% cash (30 June 2013: 10%), 36% stocks and shares (30 June 2013: 34%), and 55% investment funds (30 June 2013: 56%).

A number of our clients make regular contributions into their ISA, SIPP or Fund and Share accounts. The 'Regular Savers' service has been growing steadily since being introduced 11 years ago, and as at 30 June 2014 we had 81,000 clients (2013: 66,000) saving a total of £28 million each month by way of direct debit instruction. Our Corporate Vantage service has the potential to significantly increase the value of regular monthly savings and Corporate Vantage clients currently subscribe an additional £12.5 million each month.

Vantage clients transacted 6.3 million fund deals (2013: 5.1 million) and 3.0 million share deals in the year (2013: 1.9 million). No charge is made to our clients for dealing in investment funds and therefore fund dealing does not generate revenues. The increased volume of share dealing resulted in an increase in stockbroking commission of £12.4m to a total of £39.0 million.

Discretionary and Managed

The Discretionary division earns recurring income on underlying investments held in the Group's Portfolio Management Service (PMS), and on investments in the Group's multi-manager funds. Net revenue in the Discretionary division increased by 32% from £34.0 million to £44.9 million. The growth in net new business helped grow initial charges and the increase in AUA helped to increase management fees and ongoing advice charges. In addition following the implementation of RDR from 1 March 2014, the annual management fee charged on the HL Multi-Manager funds of 0.75% has been retained wholly within the discretionary division. Previously under the legacy fund class charged at 1.00% there would have been a 0.5% renewal commission paid into Vantage where Vantage clients held the fund. The net impact is an effective increase in revenue to the discretionary division.

The value of assets managed by Hargreaves Lansdown through its own range of multi-manager funds and PMS increased by 39% to £4.6 billion as at 30 June 2014 (2013: £3.3 billion). The growth in assets is due to net new business of £0.9 billion combined with a market increase of £0.4 billion.

Our advisory service generates initial and ongoing advice fees on assets introduced into PMS. The Group has increased the number of financial advisers during the year from 92 as at 30 June 2013 to 101 as at 30 June 2014. We aim to capture more of the advised market, particularly as many Independent Financial Advisers and high street banks continue to exit this market on the back of regulatory rules such as the Retail Distribution Review. Increased adviser numbers has helped drive a 12% increase in net new business introduced into PMS during the year. Net new business amounted to £304 million (2013: £271m). The proportion of PMS assets invested in Hargreaves Lansdown multi-manager funds as at 30 June 2014 was 90% (2013: 89%).

Third Party and Other Services

Third party and other services net revenues fell 16% during the year, from £30.9 million to £26.0 million.

The key reason for the decline has been the reduction in annuity volumes brokered following pension reforms introduced in the March 2014 budget and hence the commission income received. The reforms have introduced greater flexibility in terms of how people access their pension savings and as a result the demand for annuities has declined. Annuity income has fallen from £7.7m in 2013 to £4.7m this year.

The total revenues from Hargreaves Lansdown Currency and Markets (CFDs, spread betting and currency services) were up £0.5m on last year as increased numbers of clients utilise these additional services, driving transactional volumes higher.

Revenue from our Funds Library service remained the same at £6.0 million; however, the service has experienced underlying growth in client numbers and recurring revenues during the year but did not get a repeat of the one-off development revenues achieved in the previous year.

Third party business has been in decline over recent years. Although the Group continues to act as an intermediary for some third party pension schemes there is a focus on the Corporate Vantage service which together with regulatory changes means that we expect that third party business will continue to decline.

Total operating costs

Total operating costs are made up of operating costs which are under our control plus the Financial Services Compensation Scheme (FSCS) costs that are outside our control.

	Year ended 30 June 2014 £'million	Year ended 30 June 2013 £'million	% movement
Commission payable / loyalty bonus	**66.5**	23.2	+187%
Other operating costs:			
Staff costs	**51.3**	50.3	+2%
Marketing and distribution costs	**11.3**	11.0	+3%
Office running costs	**4.2**	3.8	+11%
Depreciation, amortisation & financial costs	**3.0**	2.0	+50%
Other costs	**13.3**	10.1	+32%
Other operating costs	**83.1**	77.2	+8%
Total FSCS levy	**0.8**	(0.5)	+160%
Total operating costs	**150.4**	99.9	+51%

Commission payable is primarily the portion of renewal income which the Group receives on investment funds held in Vantage which is rebated to clients as a 'loyalty bonus'. This rebate was paid to clients throughout the year but following the implementation of the RDR in March the amounts paid back to clients were significantly increased to effectively compensate them for the introduction of a new platform fee.

Other than commission payable staff costs remain our largest expense. The number of staff on a full-time equivalent basis (including directors) at 30 June 2014 was 844, and the average number of staff during the year was 794, an increase of 9% against an average of 731 for the comparative year.

The increase in staff numbers resulted from increased investment in IT and web services, along with recruitment of additional financial advisors and administrative staff to deal with the growing volume of account openings, transfers and helpdesk calls.

Group marketing and distribution spend increased by 3%, from £11.0 million to £11.3 million and includes the costs of printing and sending information and newsletters to existing and potential clients, media advertising, online marketing and client incentives. In the first half of the year only £4.5 million had been incurred which was 20% down on the prior year but in the second half spend increased to £6.8 million reflecting the significant increase in marketing and client communication; we communicated to all of our clients about the impact of the RDR and the new pricing tariffs, about the discounts that we had negotiated on many popular funds, about various IPOs including TSB and the biggest fund launch for some years in the Woodford Equity Income Fund. A key strategic focus for the business is our use of mobile and digital media. We increasingly invest in paid search traffic, cost per click relationships, HLTV and smart phone and tablet apps. These have also contributed to additional cost this year but have served to reinforce our strength in digital media which helps drive client and asset recruitment.

Depreciation has increased significantly following the increase in capital expenditure seen last year and this year.

Other costs which include dealing costs, insurance, computer maintenance, external administration charges and irrecoverable VAT increased by £3.2 million or 32%. These increases are a result of the increased size and scale of the business and enhancement to the services we have provided.

FSCS levy

Costs relating to the Financial Services Compensation Scheme ("FSCS") are beyond our control.

The FSCS is the compensation fund of last resort for customers of authorised financial services firms. All authorised firms are required to contribute to the running of the scheme and the cost of compensation payments. Contributions to the scheme are proportional to the amount of eligible income of a firm, rather than its risk profile or track record of running a compliant service. As such, as a large business we usually make a significant contribution to the cost of compensation on investments we have never recommended or been involved with. FSCS costs increased from a £0.5 million credit to a £0.8 million charge this year. Last year we made a successful challenge to the basis of calculation of the levy, resulting in a refund of part of the FSCS levy relating to earlier years.

Taxation

The charge for taxation increased in line with higher profits to £47.1 million from £46.2 million. The effective tax rate fell from 23.7% in 2013 to 22.4% in the current period due to the standard UK corporation tax rate falling from 24% to 21% since the start of the prior period, the 2014 applicable rate being 22.5% (2013 23.75%). In total, taxation of £3.9 million has also been credited directly to equity and relates to share-based payments.

The Group's policy on corporate taxes is to pay the right amount of tax at the right time. We aim to be transparent in our activities; we prefer not to engage in aggressive, artificial or sophisticated tax planning activities, and we actively engage with the UK tax authorities both on corporate taxes and tax issues affecting our clients.

Earnings per share (EPS)

The diluted EPS increased by 9% from 31.4 pence to 34.2 pence. EPS is calculated as the earnings for the year divided by the total weighted average fully diluted number of shares, including those held by the Employee Benefit Trust (the "EBT"). Further information on the EBT and potential dilution of share capital is provided within the annual report.

Pension schemes

There were no changes to the defined contribution pension scheme in the year, with staff and directors participating on equal terms. Pension costs are recognised as an expense when the contribution is payable.

Capital expenditure

Capital expenditure, primarily on IT hardware and software, totalled £7.6 million this year, compared with £6.2 million last year. The increase relates to the cyclical replacement of hardware and the continuation of the project to enhance the capacity of our key administration systems.

All of our core systems are developed and maintained in-house and as such we have significant IT resource dedicated to IT support and development. For the year ended 30 June 2014 an average of 86 staff were employed in developing our systems, with most of their related costs expensed within staff costs. Any costs relating to the development of new systems have been capitalised and will be depreciated over the useful economic life of the new system once implemented. In the year we capitalised £1.04 million of staff costs.

Balance sheet and cash flow

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 103%.

Group cash balances totalled £201.2 million at the end of the year. The only significant cash outflow from profits has been the second interim ordinary and special dividends totalling £109.1 million paid in September 2013 and an interim dividend of £32.9 million paid in April 2014.

The Group has four subsidiary companies authorised and regulated by the Financial Conduct Authority (FCA). These firms maintain capital resources at a level which satisfies both their regulatory capital requirements and their working capital requirements. Industry regulatory capital requirements have increased in recent years and we expect this to continue as a result of FCA requirements. The Group continues to hold a level of capital that provides significant headroom over the regulatory minimum. As at 30 June 2014, the aggregated Pillar 1 regulatory capital requirement across the four regulated subsidiary companies was approximately £11.2 million compared to capital resources of approximately £92.2 million. Capital resources equate to approximately three times the Pillar 2 capital requirement, which the Board assessed as adequate during our Individual Capital Adequacy Assessment Process (ICAAP). Further disclosures are published in the Pillar 3 document on the Group's website at www.hl.co.uk .

Increase in counterparty balances

In accordance with market practice, certain balances with clients, Stock Exchange member firms and other counterparties are included in the balance sheet. These balances fluctuate according to the volume and value of recent trading. At the year-end, trade receivables and trade payables included counterparty balances of £242.9 million (2013: £231.2 million) and £241.1 million (2013: £230.0 million) respectively.

Dividends

The Board remains committed to a progressive dividend policy.

The Board has declared a second interim (final) ordinary dividend of 15.39 pence and a special dividend of 9.61 pence per ordinary share. These dividends will be paid on 26 September 2014 to all shareholders on the register at the close of business on 12 September 2014. This brings the total dividends in respect of the year to 32.0 pence per ordinary share (2013: 29.59p), an increase of 8%.

This total ordinary dividend pay-out equates to 65% (2013: 65%) of post-tax profits, with a further 28% (2013: 28%) of post-tax profits paid by way of special dividend. Any special dividend in future years will depend upon future cash requirements and therefore may vary.

Dividend per share	**2014**	**2013**	**Change**
Interim dividend paid	**7.0p**	6.30p	+11%
Second interim dividend declared	**15.39p**	14.38p	+7%
Total ordinary dividend	**22.39p**	20.68p	+8%
Special dividend declared	**9.61p**	8.91p	+8%
Total dividend for the year	**32.00p**	29.59p	+8%

An arrangement exists under which the Hargreaves Lansdown EBT has agreed to waive all dividends.

Tracey Taylor
Chief Financial Officer
3 September 2014

Consolidated Income Statement

	Note	Year ended 30 June 2014 (Unaudited) £'000	Year ended 30 June 2013[2] (audited) £'000
Revenue	2	358,393	292,403
Commission payable		(66,526)	(23,205)
Staff costs		(51,280)	(50,265)
Other operating costs		(31,734)	(27,005)
FSCS costs[1]		(832)	532
Operating profit		208,021	192,460
Investment revenue	4	1,768	2,879
Other losses		(3)	(155)
Profit before tax		209,786	195,184
Tax	5	(47,052)	(46,195)
Profit after tax		162,734	148,989
Attributable to:			
Equity shareholders of the parent Company		162,091	148,391
Non-controlling interest		643	598
		162,734	148,989
Earnings per share			
Basic earnings per share (pence)	7	34.5	31.7
Diluted earnings per share (pence)	7	34.2	31.4

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

1 FSCS costs are those relating to the running of and the levies issued under the Financial Services Compensation Scheme. For the year ended 30 June 2013 a refund was received relating to payments made in earlier years.

2 There has been a change in accounting policy which has changed the presentation of operating costs (see Note 1 to the financial statements).

Consolidated Statement of Comprehensive Income

	Year ended 30 June 2014 (Unaudited) £'000	Year ended 30 June 2013 (Audited) £'000
Profit for the financial year	162,734	148,989
Decrease in fair value of available-for-sale investments	-	(160)
Total comprehensive income for the financial year	162,734	148,829
Attributable to:-		
Equity holders of the Company	162,091	148,231
Non-controlling interest	643	598
	162,734	148,829

Consolidated Statement of Changes in Equity

	Attributable to the owners of the Company									
	Share capital	Share premium account	Investment revaluation reserve	Capital redemption reserve	Shares held by EBT reserve	EBT reserve	Retained earnings	**Total**	Non-controlling interest	**Total Equity**
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**	£'000	**£'000**
At 30 June 2012 (audited)	1,897	8	160	12	(14,029)	10,014	158,932	**156,994**	425	**157,419**
Profit for the period	-	-	-	-	-	-	148,391	**148,391**	598	**148,989**
Other comprehensive income:-										
Net fair value losses on available-for-sale assets	-	-	(160)	-	-	-	-	**(160)**	-	**(160)**
Employee Benefit Trust:-										
Shares sold in the year	-	-	-	-	4,343	-	-	**4,343**	-	**4,343**
Shares acquired in the year	-	-	-	-	(11,771)	-	-	**(11,771)**	-	**(11,771)**
EBT share sale net of tax	-	-	-	-	-	3,634	-	**3,634**	-	**3,634**
Employee share option scheme:-										
Share-based payments expense	-	-	-	-	-	-	2,386	**2,386**	-	**2,386**
Current tax effect of share-based payments	-	-	-	-	-	-	482	**482**	-	**482**
Deferred tax effect of share-based payments	-	-	-	-	-	-	3,546	**3,546**	-	**3,546**
Dividend paid	-	-	-	-	-	-	(111,223)	**(111,223)**	(500)	**(111,723)**
At 1 July 2013 (audited)	1,897	8	-	12	(21,457)	13,648	202,514	**196,622**	523	**197,145**
Profit for the period	-	-	-	-	-	-	162,091	**162,091**	643	**162,734**
Other comprehensive income:-										
Net fair value losses on available-for-sale assets	-	-	-	-	-	-	-	**-**	-	**-**
Employee Benefit Trust:-										
Shares sold in the year	-	-	-	-	10,123	-	-	**10,123**	-	**10,123**
Shares acquired in the year	-	-	-	-	(4,887)	-	-	**(4,887)**	-	**(4,887)**
EBT share sale net of tax	-	-	-	-	-	(103)	-	**(103)**	-	**(103)**
Employee share option scheme:-										
Share-based payments expense	-	-	-	-	-	-	2,016	**2,016**	-	**2,016**
Current tax effect of share-based payments	-	-	-	-	-	-	3,848	**3,848**	-	**3,848**
Deferred tax effect of share-based payments	-	-	-	-	-	-	56	**56**	-	**56**
Dividend paid	-	-	-	-	-	-	(142,013)	**(142,013)**	(575)	**(142,588)**
At 30 June 2014 (unaudited)	1,897	8	-	12	(16,221)	13,545	228,512	**227,753**	591	**228,344**

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 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.

Consolidated Balance Sheet

	Note	At 30 June 2014 (Unaudited) £'000	At 30 June 2013[1] (Audited) £'000
Non-current assets			
Goodwill		1,333	1,333
Other intangible assets		2,828	686
Property, plant and equipment		12,679	9,737
Investments		-	-
Deferred tax assets	11	6,750	6,988
		23,590	18,744
Current assets			
Trade and other receivables	9	303,863	284,215
Cash and cash equivalents	10	201,238	177,754
Investments	8	874	613
Current tax assets		29	26
		506,004	462,608
Total assets		529,594	481,352
Current liabilities			
Trade and other payables	12	280,922	259,945
Provisions		32	127
Current tax liabilities		20,049	23,858
		301,003	283,930
Net current assets		205,001	178,678
Non-current liabilities			
Provisions		247	277
		247	277
Total liabilities		301,250	284,207
Net assets		228,344	197,145
Equity			
Share capital	13	1,897	1,897
Share premium account		8	8
Investment revaluation reserve		-	-
Capital redemption reserve		12	12
Shares held by Employee Benefit Trust reserve		(16,221)	(21,457)
EBT reserve		13,545	13,648
Retained earnings		228,512	202,514
Total equity, attributable to equity shareholders of the parent Company		227,753	196,622
Non-controlling interest		591	523
Total equity		228,344	197,145

[1] Restated – see Note 1 to the financial statements.

Consolidated Statement of Cash Flows

		Year ended 30 June 2014 (Unaudited)	Year ended 30 June 2013[1] (Audited)
		£'000	£'000
Operating activities	14		
Cash generated from operations		213,741	190,714
Income tax paid		(46,720)	(40,521)
Net cash from operating activities		167,021	150,193
Investing activities			
Interest received		1,646	2,769
Dividends received from investments		122	110
Proceeds on disposal of available-for-sale investments		-	1,434
Purchases of property, plant and equipment		(5,018)	(5,301)
Purchase of intangible fixed assets		(2,569)	(915)
Purchase of available-for-sale investments		(262)	(97)
Net cash used in investing activities		(6,081)	(2,000)
Financing activities			
Purchase of own shares in EBT		(4,887)	(11,771)
Proceeds on sale of own shares in EBT		10,019	7,978
Dividends paid to owners of the parent		(142,013)	(111,223)
Dividends paid to non-controlling interests		(575)	(500)
Net cash used in financing activities		(137,456)	(115,516)
Net increase in cash and cash equivalents		23,484	32,677
Cash and cash equivalents at beginning of year		177,754	145,077
Cash and cash equivalents at end of year		201,238	177,754

[1] Restated – see Note 1 to the financial statements.

Notes to the Financial Statements

1. General information

Hargreaves Lansdown plc (the “Company”) and ultimate parent of the Group is a company incorporated in the United Kingdom under the Companies Act 2006 whose shares are publicly traded on the London Stock Exchange. The address of the registered office is One College Square South, Anchor Road, Bristol, BS1 5HL, United Kingdom.

This Preliminary Announcement is presented in pounds sterling which is the currency of the primary economic environment in which the Group operates.

The consolidated financial statements contained in this preliminary announcement do not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The financial statements are extracted from the 2014 Group financial statements which have yet to be signed and have not yet been delivered to the Registrar of Companies. The audit of the statutory accounts for the year ended 30 June 2014 is not yet complete. These accounts will be finalised on the basis of the financial information presented by the directors in this preliminary announcement and will be delivered to the Registrar of Companies following the company’s annual general meeting. The financial information included in this preliminary announcement has been based on the Company’s financial statements which are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the EU. The principal accounting policies are set out in the Group’s 2013 statutory accounts.

The comparative figures for the financial year ended 30 June 2013 are based on the statutory accounts for that year except for the following where there has been a change in accounting policy relating to cash and the presentation of the income statement:

- Delivery versus payment exemptions from the FCA client money rules are not taken by the Group. The related cash balances are at all times held in trust as client money. Client settlement account balances were previously shown as restricted cash. The accounting policy has now been changed to reclassify these balances to trade and other receivables, which better reflects the form of these balances. The impact of this change is to reduce restricted cash by £21.0 million (30 June 2013: £19.8 million, 30 June 2012: £12.6 million) and increase trade and other receivables by an equal amount. The subsequent impact on the cash flow statement for the year to 30 June 2013 is that net cash from operating activities was reduced by £7.2 million and the cash and cash equivalents at the beginning of the year were decreased by £12.6 million to £145.1 million. There was no impact on profit before tax in either reporting period.
- The presentation of the income statement has been changed from the function of expense to the nature of expense format. Following the implementation of the Retail Distribution Review in March 2014 it is felt that this format provides users of the accounts with more useful information.

The report of the auditors on the financial statements for the year ended 30 June 2013, which were prepared in accordance with IFRS, was unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain a statement under section 498 (2) or 498 (3) of the Companies Act 2006. The financial statements for the financial year ended 30 June 2013 have been delivered to Companies House.

2. Revenue

Revenue represents commission receivable from financial services provided to clients, interest income 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:

	Year ended 30 June 2014	Year ended 30 June 2013
Revenue from services:	**£’000**	**£’000**
Recurring income	287,293	233,008
Transactional income	65,118	53,371
Other income	5,982	6,024
Total revenue	358,393	292,403

Recurring income principally comprises renewal income, management fees and interest income on client money. Transactional income principally comprises commission earned from stockbroking transactions. Other income principally represents the amount of fees receivable from the provision of funds library services. Part of the renewal income is paid to our clients and shown as commission payable in the Income Statement. Deducting the commission payable from revenue gives a net revenue measure which the group focuses on in order to aid comparison of performance year-on-year.

3. Segment information

The Group is organised into three business segments, namely the Vantage Division, the Discretionary 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 our direct to private investor platform.

The 'Discretionary/Managed' division is focused on the provision of managed services such as our Portfolio Management Service (PMS) 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, CFD's 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 30 June 2014 and 2013, 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 at arm's length prices, balances and investments in group subsidiaries required on consolidation.

	Vantage	Discretionary	Third Party/ Other Services	Group	Consolidation Adjustment	Consolidated
	£'000	£'000	£'000	£'000	£'000	£'000
Year ended 30 June 2014						
Revenue from external customers	287,219	45,103	26,071	-	-	358,393
Inter-segment revenue	-	4,799	-	-	(4,799)	-
Total segment revenue	287,219	49,902	26,071	-	(4, 799)	358,393
Depreciation and amortisation	1,853	279	368	-	-	2,500
Investment revenue	-	-	-	1,768	-	1,768
Other gains and losses	-	-	-	(3)	-	(3)
Reportable segment profit before tax	160,565	31,946	16,210	1,065	-	209,786
Reportable segment assets	264,894	27,631	16,720	237,673	(17,324)	529,594
Reportable segment liabilities	(243,230)	(13,200)	(13,249)	(46,744)	15,173	(301,250)
Net segment assets	21,664	14,431	3,471	190,929	(2,151)	228,344
Year ended 30 June 2013						
Revenue from external customers	227,204	34,140	31,059	-	-	292,403
Inter-segment revenue	-	4,889	-	-	(4,889)	-
Total segment revenue	227,204	39,029	31,059	-	(4,889)	292,403
Depreciation and amortisation	1,243	183	289	-	-	1,715
Investment revenue	-	-	-	2,879	-	2,879
Other gains and losses	-	-	-	(155)	-	(155)
Reportable segment profit before tax	150,230	23,154	19,135	2,665	-	195,184
Reportable segment assets	257,234	20,124	18,072	203,747	(17,825)	481,352
Reportable segment liabilities	(219,475)	(17,473)	(14,360)	(48,572)	15,673	(284,207)
Net segment assets	37,759	2,651	3,712	155,175	(2,152)	197,145

3. Segment information (continued)

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. Investment revenue

	Year ended 30 June 2014	Year ended 30 June 2013
	£'000	£'000
Interest on bank deposits	1,646	2,769
Dividends from equity investment	122	110
	1,768	2,879

5. Tax

	Year ended 30 June 2014	Year ended 30 June 2013
	£'000	£'000
Current tax	46,758	46,698
Deferred tax (Note 10)	294	(503)
	47,052	46,195

Corporation tax is calculated at 22.5% of the estimated assessable profit for the year to 30 June 2014 (2013: 23.75%).

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

	Year ended 30 June 2014	Year ended 30 June 2013
	£'000	£'000
Deferred tax relating to share based payments	(56)	(3,546)
Current tax relating to share-based payments	(3,848)	(482)
	(3,904)	(4,028)

Factors affecting tax charge for the year

It is expected that the ongoing effective tax rate will remain at a rate approximating to the standard UK corporation tax rate in the medium term. The standard UK corporation tax rate was reduced to 21% (from 23%) on 1 April 2014. Deferred tax has been recognised at 20%, being the rate substantially enacted at the balance sheet date. A deferred tax asset in respect of future share option deductions has been recognised based on the Company's share price as at 30 June 2014.

5. Tax (continued)

Factors affecting future tax charge

Any increase or decrease to the Company's share price will impact the amount of tax deduction available in future years on the value of shares acquired by staff under share incentive schemes. The Finance Act 2013 received Royal Assent on 17 July 2013 and will reduce the standard rate of UK corporation tax to 20% from 1 April 2015.

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

	Year ended 30 June 2014	Year ended 30 June 2013
	£'000	£'000
Profit before tax from continuing operations	209,786	195,184
Tax	47,205	46,358
- at the UK corporation tax rate of	22.5%	23.75%
Items (allowable) / not allowable for tax	(396)	(148)
Effect of adjustments relating to prior years	94	(107)
Impact of the changes in tax rate	149	92
Tax expense for the year	47,052	46,195
Effective tax rate	22.4%	23.7%

6. Dividends

	Year ended 30 June 2014	Year ended 30 June 2013
	£'000	£'000
Amounts recognised as distributions to equity holders in the period:		
2013 Second interim dividend of 14.38p (2012: 10.65p) per share	67,355	49,756
2013 Special dividend of 8.91p (2012: 6.84p) per share	41,734	31,956
2014 First interim dividend of 7.0p (2013: 6.3p) per share	32,924	29,511
Total dividends paid during the year	142,013	111,223

After the balance sheet date, the directors declared a second interim (final) ordinary dividend of 15.39 pence per share and a special dividend of 9.61 pence per share payable on 26 September 2014 to shareholders on the register on 12 September 2014. Dividends are required to be recognised in the financial statements when paid, and accordingly the declared dividend amounts are not recognised in these financial statements, but will be included in the 2014 financial statements as follows:

	£'000
2014 Second interim dividend of 15.39p (2013: 14.38p) per share	72,435
2014 Special dividend of 9.61p (2013: 8.91p) per share	45,240

Under an arrangement dated 30 June 1997 the Hargreaves Lansdown Employee Benefit Trust, which held the following number of ordinary shares in Hargreaves Lansdown plc at the date shown, has agreed to waive all dividends.

	Year ended 30 June 2014	Year ended 30 June 2013
Number of shares held by the Hargreaves Lansdown Employee Benefit Trust	3,547,124	5,923,930
Representing % of called-up share capital	0.75%	1.25%

7. Earnings per share

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

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

The weighted average number of anti-dilutive share options and awards excluded from the calculation of diluted earnings per share was 179,414 at 30 June 2014 (2013: 320,210).

	Year ended 30 June 2014 £'000	Year ended 30 June 2013 £'000
Earnings (all from continuing operations):		
Earnings for the purposes of basic and diluted EPS - net profit attributable to equity holders of parent company	**162,091**	148,391
Number of shares:		
Weighted average number of ordinary shares for the purposes of diluted EPS	**474,365,495**	**471,923,756**
Weighted average number of shares held by HL EBT which have not vested unconditionally with employees	**(4,109,730)**	**(3,981,223)**
Weighted average number of ordinary shares for the purposes of basic EPS	**470,255,765**	**467,942,533**
Earnings per share:	**Pence**	**Pence**
Basic EPS	**34.5**	**31.7**
Diluted EPS	**34.2**	**31.4**

8. Investments

	Year ended 30 June 2014 £'000	Year ended 30 June 2013 £'000
At beginning of year	**613**	**2,228**
Sales	**-**	**(1,712)**
Purchases	**261**	**97**
At end of year	**874**	**613**
Comprising:		
Current asset investment - UK listed securities valued at quoted market price	**610**	**349**
Current asset investment - Unlisted securities valued at cost	**264**	**264**

£610,000 (2013: £349,000) of investments are classified as held at fair value through profit and loss and £264,000 (2013: £264,000) 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 as shown in the Consolidated Statement of Changes in Equity, 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.

9. Trade and other receivables

	At 30 June 2014	At 30 June 2013
	£'000	£'000
Financial assets:		
Trade receivables*	262,257	249,697
Other receivables	6,039	962
	268,296	250,659
Non-financial assets:		
Prepayments and other accrued income	35,567	33,556
	303,863	284,215

*The prior period comparatives have been restated as a result of a change in accounting policy. The impact of this is disclosed in Note 1.

Trade and other receivables are measured at initial recognition at fair value. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. In accordance with market practice and IFRS, certain balances with clients, Stock Exchange member firms and other counterparties totalling £242.9 million (2013: £231.2 million) are included in trade receivables. These balances are presented net where there is a legal right of offset. The gross amount of trade receivables is £314.5 million and the gross amount offset in the balance sheet with trade payables is £71.6 million.

10. Cash and cash equivalents

	At 30 June 2014	At 30 June 2013
	£'000	£'000
Restricted cash - balances held by EBT	4,471	37
Group cash and cash equivalent balances	196,767	177,717
	201,238	177,754

Cash and cash equivalents comprise cash and institutional cash funds with near-instant access held by the Group.

At 30 June 2014 segregated deposit amounts held by the Group on behalf of clients in accordance with the client money rules of the Financial Conduct Authority amounted to £4,045 million (2013: £3,561 million). The client retains the beneficial interest in these deposits and accordingly they are not included in the balance sheet of the Group.

11. Deferred tax

The following are the major deferred tax assets recognised and movements thereon during the current and prior reporting years. Deferred tax has been recognised at 20%, being the rate in force at the balance sheet date.

	Accelerated tax depreciation	Future relief on capital losses	Share-based payments	Other deductible temporary differences	Total
	£'000	£'000	£'000	£'000	£'000
Group					
At 30 June 2012	650	22	1,162	1,105	2,939
(Charge)/Credit to income	(203)	(22)	465	263	503
Credit to equity	-	-	3,546	-	3,546
At 30 June 2013	447	-	5,173	1,368	6,988
(Charge)/Credit to income	(302)	-	11	(3)	(294)
Credit to equity	-	-	56	-	56
At 30 June 2014	145	-	5,240	1,365	6,750

12. Trade and other payables

	At 30 June 2014	At 30 June 2013
	£'000	£'000
Current payables – Financial assets:		
Trade payables	242,153	231,192
Social security and other taxes	11,488	10,063
Other payables	16,385	7,311
	270,026	248,566
Current payables – Non-financial assets:		
Accruals and deferred income	10,896	11,379
	280,922	259,945

In accordance with market practice and IFRS, certain balances with clients, Stock Exchange member firms and other counterparties totalling £241.1 million (2013: £230.0 million) are included in trade payables. As stated in note 9 above, where we have a legal right of offset trade payable balances have been presented net. The gross amount of trade payables is £312.7 million and the gross amount offset in the balance sheet with trade receivables is £71.6 million.

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

13. Share capital

	At 30 June 2014	At 30 June 2013
	£'000	£'000
Authorised:		
525,000,000 ordinary shares of 0.4p each	2,100	2,100
Issued and fully paid:		
Ordinary shares of 0.4p each	1,897	1,897
	Shares	Shares
Issued and fully paid:		
Number of ordinary shares of 0.4p each	474,318,625	474,318,625

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

14. Note to the consolidated cash flow statement

	Year ended 30 June 2014	Year ended 30 June 2013
	£'000	£'000
Profit for the year after tax	162,734	148,989
Adjustments for:		
Investment revenues	(1,768)	(2,879)
Income tax expense	47,052	46,195
Depreciation of plant and equipment	2,074	1,352
Amortisation of intangible assets	426	363
Loss on disposal	3	155
Share-based payment expense	2,016	2,386
(Decrease)/increase in provisions	(125)	127
Operating cash flows before movements in working capital	212,412	196,688
Increase in receivables*	(19,648)	(128,967)
Increase in payables	20,977	122,993
Cash generated from operations*	213,741	190,714

*The prior period comparatives have been restated as a result of a change in accounting policy. The impact of this is disclosed in Note 1.

15. Going concern

The Group maintains ongoing forecasts that indicate continued profitability in the 2015 financial year. Stress test scenarios are undertaken, the outcomes of which show that the Group has adequate capital resources for the foreseeable future even in adverse economic conditions. The Group's business is highly cash generative with a low working capital requirement; indeed, the forecast cash flows show that the Group will remain highly liquid in the forthcoming financial year. The Directors therefore believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook. After making enquiries, the Directors' expectation is that the Group will have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing this preliminary results statement.