Hargreaves Lansdown plc

Unaudited Preliminary Results Announcement
Year ended 30 June 2011

Embargoed: for release at 0700h, 1 September 2011

Hargreaves Lansdown plc ("Hargreaves Lansdown" or the "Company") is pleased to announce today its preliminary results for the year ended 30 June 2011.

Highlights

- Strong organic growth
- Total assets under administration up 41% at £24.6 billion
- Revenue increased by 31% to £207.9 million
- Underlying profit before tax up 42% at £129 million
- Profit before tax up 46% at £126 million
- Active Vantage clients increased by 50,000 to 380,000 since 30 June 2010
- Total net business inflows of £3.5 billion, up 6% on last year
- Total dividend of 18.87 pence per share, up 59% on last year

	Year to 30 June 2011	Year to 30 June 2010	**Change %**
Revenue	**£207.9m**	£159.0m	**+31%**
Proportion of revenue that is recurring	**78%**	72%	**+6pts.**
Underlying profit before tax *	**£129.0m**	£90.7m	**+42%**
Profit before tax	**£126.0m**	£86.3m	**+46%**
Underlying operating profit margin	**61.3%**	56.5%	**+4.8pts**
Operating profit margin	**59.8%**	53.7%	**+6.1pts**
Total assets under administration	**£24.6bn**	£17.5bn	**+41%**
Underlying diluted earnings per share **	**20.0p**	13.9p	**+44%**
Diluted earnings per share	**19.6**	13.1	**+50%**
Net business inflows	**£3.5bn**	£3.3bn	**+6%**

* Underlying profit before tax excludes one-off costs relating to the additional FSCS levy in 2011 and the new office in 2010, as detailed in the Financial Review
** Based upon earnings before investment gains and before one-off costs relating to the additional FSCS levy (£3.0 million) and the new office (2010 £4.4 million), and the weighted average fully diluted share capital

Ian Gorham, Chief Executive, commented:

These record results clearly demonstrate the strength of our business and confirmation of our strategy.

50,000 new active clients have chosen our Vantage platform, taking the total number to 380,000. Assets under administration stand 41% higher at £24.6 billion. Net business inflows during a difficult economic backdrop were £3.5 billion. Such organic growth has been made possible by the ever growing reputation for client satisfaction attributed to the dedication and diligence of our staff who I thank for their continued valuable contribution.

Even though the investment market faces economic uncertainty, I believe that the company is extremely well placed to build on the momentum that has been generated. Since the year-end we have seen net new business and net new clients both significantly higher than last year's comparatives. We shall continue to deliver excellent service, which in turn helps maintain profitable growth and generates value for our shareholders.

About us:

The Hargreaves Lansdown Group (the "Group") distributes and administers investment products and services retail investors. It attracts high quality earnings derived from the value of investments under administration or management. The Group is renowned for innovative marketing and a focus on client satisfaction and retention through the provision of first class service and information. The company employs a unique direct selling model which is cost effective, scalable and profitable.

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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 am delighted to report that the year ended 30 June 2011 was once again an excellent year for Hargreaves Lansdown. The Group experienced record new business, record new clients and a record increase in profits despite many world events sapping investor confidence during our peak trading period."

Introduction

This financial year-end coincided with the conclusion of 30 years since the formation of the business on 1 July 1981. Hargreaves Lansdown is now an established and important part of the UK investment scene. During its 30 years' existence over one million people have placed some business through the Group and today 380,000 investors actively use the Hargreaves Lansdown investment platform - Vantage.

It is interesting to note that when surveys are carried out amongst investors we are regularly bestowed with major awards. This is because we work tirelessly to delight the people who invest through us. The service is legendary and compares favourably to any business in the UK but in financial services is a leader.

Dividend

Capital adequacy requirements have increased over the years and Hargreaves Lansdown has always and still does retain a healthy margin over the regulatory requirement. After careful review of the company's future cash requirements the Board has decided to increase the second (final) dividend and pay an ordinary dividend of 8.41p per share (2010: 0.58p) and an increased special dividend of 5.96p per share (2010: 1.70p) making the total dividend for the year 18.87p per share (2010: 11.88p). Although Hargreaves Lansdown has many initiatives in train, it is the Board's view that none require major cash investment and given the short timeframe within which profits turn to cash in the business an increased dividend is appropriate.

The Board

Ian Gorham can be very pleased with his first year's performance as Chief Executive, since taking over from Peter Hargreaves on 2 September 2010. Not only has his visible performance, i.e. the financial results, been good, but he has led and gained the respect of the Executive Board to harness the effort that has been needed to maintain our profit record in testing economic times.

Following Jonathan Davis' decision to step down as a non-executive director on 31 December 2010, the Nominations Committee commenced a search for a replacement non-executive director and, following the previous successful use of our own client list, decided to again advertise the position to a subset of our clients. The Committee took notice of the Davies Report when formulating the selection criteria and was keen to ensure that any new appointments sought to add diversity to the Board. The Committee was firmly of the view that diversity is a far wider subject than pure gender. We hope to announce the conclusion to this search shortly.

Governance

It seems only yesterday that we became a public company and now we have to consider what extra things our investors might require of us to position ourselves as a FTSE 100 company. In the Corporate Governance statement within the forthcoming annual report, we detail the steps that we have taken to broaden our compliance with the UK Corporate Governance Code. The results of the Board review undertaken were positive and confirmed that the Board and its Committees have operated efficiently and diligently.

Summary

I would like to express my gratitude to the Board and all the staff for all their hard work in producing a strong set of results in difficult circumstances. There is no doubt we face some interesting times ahead but we will continue to look after our clients well, and in so doing grow the company.

Michael Evans
Chairman
1 September 2011

Extract from Chief Executive's Review

I am pleased to report a strong set of results in my first reporting period as Chief Executive. The results clearly demonstrate the strength of our business model and continued success of our strategy.

The management team's objective is to apply substantial energy to building on our strong track record in order to create significant long-term value for our shareholders. Our strategy is unchanged; we continue to focus on growing our business by increasing the level of assets administered on behalf of clients. We shall do this by continuing to provide clients with an excellent value-for-money service. This will be supported by effective management of costs and increasing the efficiency of our operations. In all aspects we have been extremely successful this year.

Hargreaves Lansdown has a proven track record of innovation and entrepreneurial flair. As a result we have been very successful at creating and seizing opportunities. Excellent progress has been made during the year, delivering a strong performance in spite of the economic challenges facing retail investors. In 2012 we shall continue to invest in our business and service to enhance our clients' experience.

Review of the economic background

The year to 30 June 2011 posed many challenges for the retail investor.

The political environment remained turbulent and uncertain, especially in key oil producing countries. Severe earthquakes experienced in Japan and New Zealand completed a difficult environmental backdrop.

Much of Western society remains heavily indebted both at a sovereign and personal level. The resulting need for parsimony led to pressure on personal incomes and potentially fewer spare pounds in the pocket for saving and investment. Concerns about the economy, future of the Euro and banking exposures were also a consistent theme.

Such uncertainty may offer opportunity for the speculator, but is rarely good for wider market confidence. The FTSE 100 index stood at 5945.7 at 30 June 2011. Whilst this was 21% up from 1 July 2010 it remains some 10% below the level it stood at when Hargreaves Lansdown became a listed company in May 2007.

Hargreaves Lansdown's 2011 results

The backdrop makes Hargreaves Lansdown's 2011 results all the more exceptional. Once again we are pleased to report record results.

The company delivered a 41% increase in assets under administration from £17.5 billion to £24.6 billion, 50,000 new clients were welcomed and we report a record profit before tax of £126.0m, up 46%. These results represent continued client confidence in the Hargreaves Lansdown service. Client satisfaction is the highest in the company's history. Our Corporate Vantage initiative reported a 127% rise in members to 2417 since last reported on 31 December 2010, an annualised member growth rate of 254%. Within a year from launch from a standing start we have 27 schemes live or in implementation. Corporate business is naturally a long-term project but we are delighted with its progress.

New business introduced by our advisers leapt by 13% to £625 million, further justification for our investment in this area.

For these results we have to thank our clients, whose continued enjoyment of the service, loyalty and feedback enhances the growth of our business. It remains a positive reflection on our service that referrals from existing clients consistently feature as one of the main attractions to Hargreaves Lansdown. In an era of menu driven telephone systems and often mediocre client service Hargreaves Lansdown demonstrates that a company with a modern outlook, high service values and low cost pricing can have great success.

We must also thank our staff, whose energy and appetite for client service and new developments is key to sustaining this company's growth.

2012 market outlook

Storm clouds have been brewing ever since the last round of quantitative easing. Since our year-end the markets have seen a worldwide sell-off of stocks and de-risking. Although commercially many firms look financially sound there is only so much cost saving that can be affected. To provide long-term growth economic stimulus is essential, but the tools available to policymakers are currently limited which has led to fragile confidence. Emerging markets have the advantage of being burdened with neither personal nor sovereign debt, although those countries rely on the western world buying their products. Uncertainty remains over the future of the Euro and the ramifications of repayment of sovereign debt to those western banks which have been foolhardy in their lending policies.

On the plus side the potential for raising interest rates fades further and further into the future, a situation which will drive investors to seek other income producing assets such as those in which Hargreaves Lansdown specialise. It is also worth pointing out that although emerging markets have fallen short-term, their long-term prospects are bright. It is likely their markets and currency will perform better than the UK as we see a shift in economic strength from West to East. Any positive appreciation helps improve the earnings of Hargreaves Lansdown as a significant proportion of our client assets are invested in emerging economies. There are indeed tough times ahead but the quality of our service, information and pricing should help us to prevail.

Company outlook

Despite the less than ideal economic environment, Hargreaves Lansdown is in a strong position. We have continued to invest in a range of enhancements to the Vantage service and these new developments have been delivered on time and to budget. We have also restructured our treasury strategy during the year to the benefit of both clients and the company.

The post year-end tariff reductions and functionality improvements in our stockbroking service have been designed to improve the client experience. This should encourage clients to consolidate all investments, including shares and funds, within their Vantage account. We believe these enhancements represent a most compelling proposition in the market. The initial response from clients both existing and new has been very pleasing.

Our online overseas dealing service, launched in July, provides access to European, US and Canadian markets at the same low charging tariff. We plan to improve coverage of other investments such as passive funds and investment trusts, of which a vast range are already offered on Vantage.

These developments support the continued increase in the scope of our 'investment supermarket'. This will position Hargreaves Lansdown as the best place for an investor to invest in key asset classes. This proposition, allied to our scale and service levels, will provide competitive advantage over traditional niche offerings. The modern investor needs and expects access to a wide range of good value investment choices, Hargreaves Lansdown delivers just that.

Our digital strategy is increasingly important, with 27.5 million visits to our website during the year, a 24.3% increase. We have developed and will continue developing new routes for seeking, attracting and communicating with clients through electronic means which are increasing in scope and sophistication. Our new i-Phone and Android mobile phone applications provide investors access to extensive fund, share and investment research, trading functionality, and allow clients to manage their portfolio on the move. Since launch in August 2011 our i-Phone and Android applications have been downloaded over 11,000 times.

Direct business will remain core to Hargreaves Lansdown but our fee based advice proposition presents opportunity for growth, as the regulatory and economic environment presents acute challenges to other firms in the financial advice sector.

We are satisfied with progress on our Corporate Vantage proposition and continue to build our reputation in the corporate market. Our discretionary service also shows growth.

The cumulative effect of our many smaller developments also makes a difference. They also reflect our energy and determination to capitalise on our market position and continuously improve the service to the benefit of our clients.

We are well aware that other companies seek to compete, although as yet no one has managed to do so to any scale. Advantages such as proprietary ownership of our own platform, engagement with millions of investors, operating scale, reputation, brand and service levels give us a formidable position. Nevertheless, we are not complacent and continue to listen carefully to clients and watch closely competitor and industry developments.

In summary, we are extremely well placed. 2012 will be about reaping the benefits of our hard work and further enhancements to the service to maintain the long-term future of the business.

Post year-end trading

Since the year end, the FTSE All-Share has fallen by 12% (as at 30 August 2011). However, levels of net new business inflows since the year end have been strong with July and August combined showing an increase of more than 30% over the same months in the prior year. Client recruitment has also been strong, with net new clients joining the Vantage service in July up 14% for 2011 compared to the same month last year and August also significantly higher.

Share dealing volumes were 11% higher in July. Market volatility during August produced an exceptional level of trading which enhanced the effect of the introduction of our improved share dealing service and tariff. August equity dealing volumes were 170,000 versus 82,000 in August 2010, a 107% increase.

The impact of regulation

The regulatory development of note remains the Retail Distribution Review (RDR). The reforms covered in this initiative divide broadly into two, being relevant to the provision of advice and to platforms.

We have previously stated that we consider ourselves already materially compliant with the advisory part of the reforms. These changes should hold opportunity, both for expansion of our advice business and increased interest in direct investment. Our view on this element of RDR remains positive.

The platform paper issued by the FSA on 1 August 2011 (PS11/9) represented a potential significant U-turn in its position on payments to platforms by fund groups and posed more questions than answers. Whilst we are disappointed that this part of the FSA's work is not yet clearly resolved, we are confident that we will be able to adapt as a business to meet any regulatory requirements whilst maintaining a clear focus on client service and on the success of our business. There is substantial water to go under the bridge in this debate.

Hargreaves Lansdown offers great prices, service and information and will continue to do so. Scale and technological improvements will see costs for retail investors reduce over time. This should result in reduced margins but be more than offset by increasing volumes. We see no current reason why our revenue or profits should be materially affected by the RDR. There is a range of recurring revenue models available to us. Investing direct through Hargreaves Lansdown will remain highly competitive and in most circumstances lower cost than through financial advisers. There is also considerable time to make any transition and we already successfully use alternative models in our business. Uncertainty remains but we will continue to fine tune our strategy as the RDR progresses towards its two step implementation in the years ahead.

We expect over time charging will become more explicit for the 46% of our net income received from fund groups. Although clients like the current model it is clear that various industry developments lead towards more prevalent explicit charging. We will continue to promote our view that "bundled" models have value for retail investors but such a model is not an economic necessity. Indeed some explicit charging developments present new revenue opportunities.

In terms of wider regulatory developments, as a highly compliant and ethical company, we hope the restructured UK regulatory regime will be effective but proportionate. The £3 million additional charge to Hargreaves Lansdown this year in respect of a contribution to the Financial Services Compensation Scheme for the Keydata fiasco, in which we played no part, highlighted the potential cost to innocent companies of regulatory mistakes. The new regulator must also keep a careful watch on European developments and lobby appropriately for the best outcome for the UK.

Conclusion

I would like to thank our clients, shareholders, staff and my fellow directors. Their continued support has delivered another record year for Hargreaves Lansdown. We have seen many more people recognise the enjoyment and value in self-directed investment using our company's services. This is a trend we shall do our utmost to promote and continue.

Ian Gorham
Chief Executive
1 September 2011

Extract from Financial Review

Despite tough economic and market conditions, it has been another record year for the Group in terms of revenue, profits, client recruitment and new business. A rise in stock markets during the year to 30 June 2011 increased in value the assets under administration (AUA) and the revenue derived from them. A significant contribution has come from record levels of organic growth in AUA from new business and new clients.

	2011 £'million	2010 £'million
Revenue	207.9	159.0
Underlying administrative expenses	(80.5)	(69.2)
Underlying operating profit (*)	127.4	89.8
One-off administrative expenses	(3.0)	(4.4)
Operating profit	124.4	85.4
Non-operating income	1.6	0.9
Profit before taxation		
- Before one-off administrative expenses	129.0	90.7
- After one-off administrative expenses	126.0	86.3
Taxation	(34.1)	(25.0)
Profit after taxation	91.9	61.3
Underlying diluted earnings per share	20.0	13.9
Diluted earnings per share	19.6	13.1

(*) Underlying operating profit excludes one-off costs relating to the additional FSCS levy in 2011 and the new office in 2010.

These results have been achieved against a backdrop of continued economic uncertainty. This is testament to the business model and the trust that our clients placed in us delivering the services they require.

Total revenue increased by 31% to £207.9 million. The Vantage division revenue increased by 43%. The key drivers have been the recurring revenue streams of renewal income, interest and management fees, which combined accounted for £47.5 million, or 97%, of the increase. This demonstrates we are achieving an improvement in earnings quality in accordance with one of our strategic objectives.

The Group's underlying operating profit increased by 42% to £127.4 million in 2011 compared to £89.8 million for 2010.

The underlying operating profit margin increased from 56.5% to 61.3%. This resulted from 31% revenue growth, coupled with tight cost management whereby the increase to administration expenses was just 16%.

Including one-off expenses, statutory profit before tax increased by 46% to £126 million compared to £86.3 million in the previous year. The effective tax rate for the Group this year was 27.1% resulting in a reported profit after tax for the year of £91.9 million (2010: £61.3 million).

Total assets under administration can be broken down as follows:

		At 30 June 2011 £'billion		At 30 June 2010 £'billion
Vantage Assets Under Administration (AUA)		23.1		16.3
Assets Under Administration and Management (AUM)				
- Portfolio Management Service (PMS)	1.5		1.2	
- Multi-manager funds outside of PMS	0.8		0.6	
AUM Total		2.3		1.8
Less: Multi-manager funds included in both AUA and AUM		(0.8)		(0.6)
Total Assets Under Administration		**24.6**		17.5

Total Assets under administration (AUA) have increased by 41%. Vantage AUA are up by 42% and the assets in PMS and our Multi-manager funds by 28%. These increases have been a key factor in revenue growth.

Divisional performance

The Group is organised into three core operating divisions, based around products and services:

- Vantage
- Discretionary and Managed
- Third Party and Other services

Revenue	**Year Ended 30 June 2011 £'million**	Year Ended 30 June 2010 £'million
Vantage	**160.5**	112.2
Discretionary	**24.7**	22.9
Third Party and Other services	**22.7**	23.9
	207.9	159.0

The Group's flagship service, **Vantage**, is a direct-to-private investor investment platform. Vantage offers clients the administrative convenience of being able to hold and manage their investments, including unit trusts, OEICs, equities, ETFs, bonds, investment trusts and cash, irrespective of the tax vehicle, in one place with consolidated valuation reports, a single dealing service and instant online access. In the 2011 financial year Vantage represented 77% of Group revenue and 78% of underlying operating profit. 380,000 active Vantage clients use the Vantage service.

The **Discretionary and Managed** division incorporates our advisory Portfolio Management Service (PMS) and our own range of multi-manager funds. The investments within these services, known as Assets Under Management (AUM), are both administered and managed by us on behalf of clients. The division accounted for 12% of Group revenue and 13.5% of underlying operating profit in the 2011 financial year. More than 11,000 clients use our PMS service.

The **Third Party and Other services** division distributes investment products that are not held in Vantage accounts. These include corporate pensions, personal pensions, annuities, third party investment products and venture capital trusts. The division also includes certificated share dealing, currency services and third party / white labelled CFDs and spread betting. The division represents 11% of Group revenue and 8.5% of underlying operating profit.

Vantage

The Vantage division increased its revenues by £48.3 million or 43%, from £112.2 million to £160.5 million. This resulted primarily from growth in Assets Under Administration (AUA) by 42% from £16.3 billion to £23.1 billion and the impact of a full year's income on assets acquired during the previous year.

The £6.8 billion (2010: £5.4 billion) increase in Vantage assets from £16.3 billion to £23.1 billion can be attributed to £3.4 billion of net new business inflows (2010: £3.2 billion), other positive growth factors with a value of £0.2 billion (2010: £0.2 billion), such as retained investment income and £3.2 billion of stock market growth (net of interest credited to clients on cash balances) compared to £2.0 billion of market growth in 2010. As in previous years the growth in AUA resulting from net new business inflows, or 'organic growth', has been strong at 21% (2010: 29%).

The growth in AUA derived from stock market and other growth factors was also 21% (2010: 20%). The highest percentage growth in the value of AUA during the year was evident in the Fund and Share Account, increasing by 47%, whilst SIPP AUA grew by 43% and ISA by 37%. Included within the Fund and Share account is a significant holding in Hargreaves Lansdown shares which increased in value by 80% during the year. Removing this, the growth in Fund and Share AUA was 41%. As at 30 June 2011, the value of the Vantage ISA was £9.5 billion, (30 June 2010: £6.9 billion), the Vantage SIPP was £6.6 billion (30 June 2010: £4.6 billion) and the Vantage Fund and Share Account was £7.0 billion (30 June 2010: £4.8 billion).

The ISA allowance has been increased from £10,200 to £10,680 in the tax year ending 5 April 2012. The welcomed simplification of the pension tax relief rules means that, subject to earnings, clients can now contribute and receive tax relief on up to a £50,000 pension contribution each year in addition to any unused £50,000 allowance from the previous three tax years. An increased number of clients made contributions of new monies into their SIPP and ISA accounts this year (SIPP +17% and ISA +8%). The average value of contributions reduced by 18% in the SIPP and 2% in the ISA due to investors having reduced spare monies for investment and the effect of Corporate Vantage, where average contributions are more regular but lower. This resulted in an overall increase in value of new contributions in these accounts of £0.1 billion. Clients continued to transfer SIPP and ISA investments held by third parties into our Vantage service and the value of transfers increased by 13%. Net inflows of new business have been achieved across all the Vantage services with the SIPP achieving £1.4 billion (2010: £1.3 billion), the ISA £1.3 billion (2010: £1.3 billion) and the Fund and Share account £0.7 billion (2010: £0.6 billion).

During the year the number of active Vantage clients increased by 50,000 to 380,000. Some of these clients hold more than one type of account with us, and hence when we look at the increase in accounts aggregated across the three main Vantage services the increase in accounts was higher at 71,000; SIPP accounts increased by 27,000, ISA by 28,000 and Fund and Share by 16,000.

A number of our clients make regular contributions into their ISA, SIPP or Fund and Share account. The 'Regular Savers' service has been growing steadily since introduced 8 years ago, and as at 30 June 2011 we had 47,000 clients (2010: 37,000) saving a total of £18 million each month by way of direct debit instruction. Our Corporate Vantage service has the potential to make a significant increase to the volume and value of regular monthly savings.

Vantage clients decreased their cash weightings during the period as worldwide stock markets continued to recover from their low points and their appetite to invest in equities and funds continued. 3.9 million fund deals (2010: 3.0 million) and 1.3 million equity deals (2010: 1.1 million) were transacted by clients during the year. The composition of assets across the whole of Vantage changed during the period: as at 30 June 2011, Vantage assets were held 30% in equities (30 June 2010: 28%), 60% in funds (30 June 2010: 60%) and 10% in cash (30 June 2010: 12%).

The overall average gross revenue margin within Vantage remained consistent year on year at 78bps. Interest on client money is one of the components of the overall Vantage revenue margin. Throughout the whole year we have faced all time historically low interest rates with the Bank of England base rate being just 0.5%. We have, however achieved an improvement in the interest revenue margin as a result of reviewing our treasury arrangements. This has also enabled us to improve the return to clients through offering higher fixed interest fixed term deposits.

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. Revenues in the Discretionary division increased by 8% from £22.9 million to £24.7 million. Increased renewal income and management fees resulting from the increase in AUA were the key drivers of the increased revenue.

The value of assets managed by Hargreaves Lansdown through its own range of multi-manager funds and PMS increased by £0.5 billion to £2.3 billion as at 30 June 2011 (2010: £1.8 billion). Of these assets under management, £0.8 billion of the Group's multi-manager funds were held within Vantage as at 30 June 2011 (2010: £0.6 billion) and £1.5 billion were held within PMS of which £1.4 billion were in the multi-manager funds (2010: £1.2 billion of which £1.1 billion were in multi-manager funds). The growth in assets is due to a positive market growth of £0.3 billion combined with net new business of £0.2 billion.

This division earns initial charges and management fees on assets introduced into PMS. £109m of net new business was introduced into PMS during the year (2010: £99m). The sole distribution of PMS is through the Group's team of advisers. The number of advisers increased from 62 at the start of the year to 68 by 30 June 2011, including six apprentices and four advisors allocated to the division's telephone service. The proportion of PMS assets invested in Hargreaves Lansdown multi-manager funds as at 30 June 2011 was 91% (2010: 91%).

The multi-manager funds maintained exposure to equities and corporate bonds during the year and the markets had a positive effect on the assets under management. Throughout the year the Group operated five multi-manager funds and four of them have outperformed their IMA sector average during the financial year. Three of the four funds that have been inexistence for five years or more have also outperformed their IMA sector five year average.

Third Party and Other Services

The division as a whole saw a fall in revenues of 5%, from £23.9 million to £22.7 million. This is part of Group policy to rely less on third party income streams. £2.3 million of third party corporate pension revenue has been deferred at the balance sheet date, which is significantly higher than in previous years (2010: £0.1 million). The increase is pursuant to a higher level of ongoing service obligations for these pension policies, and accordingly as required by accounting standards the related income is deferred and will be recognised over the period that the service is provided.

Personal pension revenue increased by £0.5 million owing to an 18% increase in the number of annuity cases completed. Successful marketing and ease of execution through our website have helped drive this increase in completed annuities. Corporate pension revenue decreased by £2.0 million because of an increase in revenue deferral as explained above. Revenue from our Funds Library service increased by £1.1 million driven by a general improvement on all revenues and in particular the user and development fees. Revenue from Third Party Investments business decreased by £0.7 million. This is part of a long-term trend of clients choosing to use the Vantage platform, which increases the long-term quality of earnings but reduces income classified as Third Party.

The Group continues to raise awareness of the Hargreaves Lansdown Corporate Vantage service. Over time, management expects a transition in corporate pensions away from the traditional initial commission model to a recurring revenue based model through the Corporate Vantage service. This is very much in line with the Group's focus on maximising 'quality' recurring revenues.

The total revenues from CFDs, spread betting, currency services and certificated dealing were in line with last year, with an increase in spread betting revenue being offset by a fall in certificated dealing and commission charges.

Stockbroking services

Across the Group, record stockbroking volumes have been transacted with 1.3 million equity deals, up year on year by 18%.

As from 1 August 2011 the online stockbroking tariff has been improved. Clients will pay as little as £5.95 for a deal and no more than £11.95. The new charges are on a sliding scale, with higher dealing volumes attracting a lower charge. Based on volumes in the last year, we would expect the average dealing charge to reduce from the current £16.90 to c.£10.40. This combined with various improvements to the functionality of our service that have already launched such as the i-Phone and Android apps, stop loss and limit order service, and online overseas share dealing, means we are confident that dealing volumes will continue to grow.

Administrative expenses

	Year Ended 30 June 2011 £'million	Year Ended 30 June 2010 £'million
Staff costs	**40.1**	36.0
Commission payable	**15.7**	11.8
Marketing and distribution costs	**9.2**	8.2
Office running costs	**4.1**	2.9
Depreciation, amortisation and financial costs	**2.6**	2.7
Other costs	**8.0**	7.1
Compliance costs	**0.8**	0.5
Underlying administrative expenses	**80.5**	69.2
Additional FSCS levy	**3.0**	-
One-off costs related to the new offices	**-**	4.4
Total administrative expenses	**83.5**	73.6

Administrative expenses have been contained to a 13% increase. Underlying administrative expenses have been contained to a 16% increase from £69.2 million to £80.5 million. Underlying expenses this year exclude the additional £3.0 million Financial Service Compensation Scheme (FSCS) levy relating to Keydata which, in common with other intermediaries and fund managers, Hargreaves Lansdown is required to contribute to the compensation scheme despite having no involvement with Keydata. We consider this to be a one-off cost.

Taken in the context of a 31% increase in revenue and a 42% increase in underlying operating profit year on year, the 16% increase in administrative expenses demonstrates a strong focus on cost control, efficiencies and the scalability of our business model.

Although staff costs remain the largest cost, as a percentage of administrative expenses it decreased by 2% to 50% (2010: 52%). The number of staff (including directors) employed at 30 June 2011 was 664, and the average number of staff during the year was 647, an increase of 3% against an average of 628 for the comparative year. The increase in staff numbers resulted mainly from an increase in the volume of business transacted during the year and was most marked in the months surrounding the tax year-end.

We continue to operate a defined contribution pension scheme for staff and directors. As such, pension costs are recognised as an expense when the contribution is paid.

Commission payable includes the share of renewal income which the Group receives on funds held in Vantage which is rebated to clients as a loyalty bonus (with the exception of funds held in SIPPs). It increased by 33%, from £11.8 million to £15.7 million, in line with the rise in value of the related client assets. On average 17% of renewal income earned in Vantage is paid back to clients as loyalty bonus.

Group marketing and distribution spend increased by 12%, from £8.2 million to £9.2 million. This includes the costs of sending information to existing and potential clients, including the Group's flagship publication, the Investment Times. These costs include media advertising, postage, stationery and the cost of corresponding with clients. There has been an overall increase in the level of client communication and direct marketing activity compared to the previous financial year.

Office costs include rent, rates, utility and security costs and have increased by £1.2 million. This increase primarily relates to our first full year in our new, larger office following our move in February 2010. Office costs are predominantly fixed in nature.

Other costs include dealing costs, irrecoverable VAT, compensation, insurance, legal and professional services, computer maintenance and external administration charges. These collectively increased by 13% from £7.1 million to £8.0 million. Computer maintenance costs were £0.5m higher commensurate with the increased investment in computer hardware. We are unable to recover a large proportion of VAT incurred on expenses. The rate of VAT has increased this year, which together with a higher level of expenses has increased irrecoverable VAT by £0.6m.

Non-operating income

Investment revenues increased to £1.5 million owing primarily to an increase in interest rates on the Group's cash balances and higher than average cash balances.

Taxation

Taxation increased from £25.0 million to £34.1 million. The effect of the increase in pre-tax profits was slightly softened by the effective tax rate decreasing from 28.9% to around 27.01%. This decrease predominantly resulted from a reduction in the corporation tax rate from 28% to 27% as from 1 April 2011 and a reduction in non-qualifying depreciation and expenses on which the Group is unable to obtain a tax deduction both in the current and prior year.

The main aim of our in-house tax team is to pay the right amount of tax at the right time. We aim to be transparent in our activities; we do not engage in aggressive, artificial or sophisticated tax planning activities, and we actively engage with the UK tax authorities.

Earnings per share (EPS)

The diluted EPS increased by 50% from 13.1 pence to 19.6 pence. Underlying diluted EPS increased by 44%, from 13.9 pence to 20.0 pence. This is calculated as the earnings for the year, adjusted to exclude the net effect of investment gains and excluding one-off costs relating to the Financial Services Compensation Scheme (FSCS) interim levy (2011) and the move to the new office (2010), 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 funding of the EBT and potential dilution of share capital is provided within the Directors' Remuneration Report.

Dividend

In 2010 the Company paid a higher interim dividend in advance and in anticipation of the increase to the top rate of income tax, and a correspondingly lower second (final) dividend was paid. In 2011 we have reverted to the normal pattern of a conservative interim and higher final dividend.

The directors are now declaring a second (final) ordinary dividend of 8.41 pence and a special dividend of 5.96 pence per ordinary share, payable on 29 September 2011 to all shareholders on the register at the close of business on 9 September 2011. This brings the total dividends in respect of the year to 18.87 pence per ordinary share (2010: 11.88p), an increase of 59%.

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

Balance sheet and cash flow

We have continued to maintain a clean balance sheet with high cash reserves. Group net assets increased from £66.1 million to £130.9 million and retained profits increased the Group's own cash balances to £108.4 million. The only significant cash outflow during the current year was the payment of dividends totalling £31.4 million.

Capital expenditure

The majority of the £8.1 million capital expenditure last year related to the new office. This year the capital expenditure of £1.9 million was mainly on IT hardware and software. We shall continue to invest in strengthening and expanding our IT infrastructure in 2012.

Cash flow and treasury policy

The Group is highly cash generative, with 92% of operating profit converted to operating cash flow during the year. In line with the change to the Group's treasury management arrangements, the level of accrued interest receivable on fixed term deposits has increased to £21.3 million (2010: £5.5 million).

The total cash balance of £122.0 million reported in the balance sheet includes £13.5 million of client settlement account balances. The Group's own cash balances of £108.4 million includes cash held within the EBT which has decreased from £3.3 million as at 30 June 2010 to £0.5 million at 30 June 2011 following the purchase of additional Hargreaves Lansdown plc shares.

The Group has no borrowings, and deposits its liquid funds with selected financial institutions with strong credit ratings and financial ratios. The Treasury Committee reviews the deployment of banks on a regular basis with the primary objective of ensuring the security of its assets and the secondary but important objective of maximising return. The Group actively maintains cash balances on short-term deposit to ensure that it has sufficient funds for operations. This policy is designed to ensure that the Group takes no material credit risk. The Group is not exposed to significant foreign exchange translation or transaction risk.

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 £134.3 million (2010: £80.3 million) and £146.7 million (2010: £88.7 million) respectively of counterparty balances.

Capital requirement

The Group has four subsidiary companies authorised and regulated by the Financial Services Authority (FSA). These firms maintain capital resources at a level which satisfies both their regulatory capital requirements as well as their working capital requirements. Within the industry, regulatory capital requirements have increased in recent years and we expect this to continue as a result of FSA requirements. During the 2011 financial year we held a healthy margin of at least six times the Pillar 1 minimum capital requirement. This equates to a margin of approximately three times the Pillar 2 capital requirement, which is our own assessment of the minimum amount of capital that we believe is adequate as identified during our Individual Capital Adequacy Assessment Process (ICAAP). As at 30 June 2011, the aggregated Pillar 1 regulatory capital requirement across the four regulated subsidiary companies was approximately £8.7 million compared to capital resources of approximately £55.0 million held in the four subsidiaries and £130.5m held across the Group.

Regulation

The Chief Executive has highlighted changes to the regulatory landscape, in particular the FSA's Retail Distribution Review and its latest update PS11/9. This represented a significant U-turn in the position on payments to Platforms. The proposals are scheduled to be introduced in two phases. Stage One will take effect from 31 December 2012 relating to a range of matters including qualification standards for advisers, adviser charging, disclosure of platform income, re-registration standards and the provision of unit-holder information. Stage Two will relate to changes to Platforms. PS11/9 introduced uncertainty around payments from fund groups and paying cash rebates to investors. Further research is to be carried out by the FSA and a definite position will only be known at a future date yet to be determined by the FSA. This we believe gives us ample time to consider all our options carefully and at this stage we believe that we have alternative recurring revenue models already used in the business that could be adapted to mitigate the negative effects of any potential changes.

During the history of Hargreaves Lansdown there have been many external factors which could have adversely affected the growth of the business. All of them, when initially revealed, would have projected serious pressure on profitability. Most of these potentially harmful circumstances revolved around the reduction of margin. In every single case, our response resulted in increased volumes of business which more than compensated for any reduction in margin. It is too early to say exactly how we shall respond to what are just proposals and not yet formalised. However, we believe Hargreaves Lansdown's experience, business model and financial position will enable us to accommodate these changes without harmful effect on total profitability.

Conclusion

The landscape of investing has changed, leaving our proposition the one that most investors prefer. Many investors are less concerned about personal advice and more about information, service and price. The one service that investors have craved is for their investments to be conveniently held within the various tax wrappers. Simplicity of valuation, dealing and information for HMRC are all important criteria that investors also seek. It is our view that no other proposition provides investor requirements as appropriately as Vantage.

Tracey Taylor
Group Finance Director
1 September 2011

Consolidated Income Statement

	Note	Year ended 30 June 2011 £'000	Year ended 30 June 2010 £'000
Revenue	2	207,904	158,970
Total operating income		207,904	158,970
Administrative expenses		(83,459)	(73,588)
Operating profit		124,445	85,382
Investment revenue	4	1,496	854
Other gains and losses		72	59
Profit before tax		126,013	86,295
Tax	5	(34,066)	(25,020)
Profit after tax		91,947	61,275
Attributable to:			
Equity shareholders of the parent Company		91,820	61,266
Non-controlling interest		127	9
		91,947	61,275
Earnings per share			
Basic earnings per share * (pence)	7	19.8	13.2
Diluted earnings per share * (pence)	7	19.6	13.1

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

** Underlying earnings per share, excluding the impact of investment gains and one-off costs relating to the additional FSCS levy in 2011 and office costs in 2010 are shown in note 7.*

These financial statements are unaudited.

Consolidated Statement of Comprehensive Income

	Year ended 30 June 2011 £'000	Year ended 30 June 2010 £'000
Profit for the financial year	91,947	61,275
Increase in fair value of available-for-sale investments	39	168
Total comprehensive income for the financial year	91,986	61,443
Attributable to:-		
Equity holders of the Company	91,859	61,434
Non-controlling interest	127	9
	91,986	61,443

Consolidated Statement of Changes in Equity

	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**
	Attributable to the owners of the Company									
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**	£'000	**£'000**
At 1 July 2009	1,897	8	(77)	12	(10,965)	11,118	82,727	**84,720**	(70)	**84,650**
Profit for the period	-	-	-	-	-	-	61,266	**61,266**	9	**61,275**
Other comprehensive income:-										
Net fair value gains on available-for-sale assets	-	-	168	-	-	-	-	**168**	-	**168**
Employee Benefit Trust:-										
Shares sold in the year	-	-	-	-	50	-	-	**50**	-	**50**
Shares acquired in the year	-	-	-	-	(3,590)	-	-	**(3,590)**	-	**(3,590)**
EBT share sale net of tax	-	-	-	-	-	(952)	-	**(952)**	-	**(952)**
Employee share option scheme:-										
Share-based payments expense	-	-	-	-	-	-	608	**608**	-	**608**
Deferred tax effect of share-based payments	-	-	-	-	-	-	1,104	**1,104**	-	**1,104**
Dividend paid	-	-	-	-	-	-	(77,260)	**(77,260)**	-	**(77,260)**
At 1 July 2010	1,897	8	91	12	(14,505)	10,166	68,445	**66,114**	(61)	**66,053**
Profit for the period	-	-	-	-	-	-	91,820	**91,820**	127	**91,947**
Other comprehensive income:-										
Net fair value gains on available-for-sale assets	-	-	39	-	-	-	-	**39**	-	**39**
Employee Benefit Trust:-										
Shares sold in the year	-	-	-	-	131	-	-	**131**	-	**131**
Shares acquired in the year	-	-	-	-	(2,155)	-	-	**(2,155)**	-	**(2,155)**
EBT share sale net of tax	-	-	-	-	-	128	-	**128**	-	**128**
Employee share option scheme:-										
Share-based payments expense	-	-	-	-	-	-	1,618	**1,618**	-	**1,618**
Deferred tax effect of share-based payments	-	-	-	-	-	-	4,510	**4,510**	-	**4,510**
Dividend paid	-	-	-	-	-	-	(31,404)	**(31,404)**	-	**(31,404)**
At 30 June 2011	1,897	8	130	12	(16,529)	10,294	134,989	**130,801**	66	**130,867**

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 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 Employee Benefit Trust ("the 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 2011 £'000	At 30 June 2010 £'000
Non-current assets			
Goodwill		1,333	1,333
Other intangible assets		296	211
Property, plant and equipment		6,980	7,445
Deferred tax assets	10	8,117	2,941
		16,726	11,930
Current assets			
Trade and other receivables	9	176,178	104,174
Cash and cash equivalents	9	121,951	71,245
Investments	8	2,240	2,322
Current tax assets		12	33
		300,381	177,774
Total assets		317,107	189,704
Current liabilities			
Trade and other payables	11	167,439	108,692
Current tax liabilities		18,742	14,061
		186,181	122,753
Net current assets		114,200	55,021
Non-current liabilities			
Provisions		59	898
		59	898
Total liabilities		186,240	123,651
Net assets		130,867	66,053
Equity			
Share capital	12	1,897	1,897
Share premium account		8	8
Investment revaluation reserve		130	91
Capital redemption reserve		12	12
Shares held by Employee Benefit Trust reserve		(16,529)	(14,505)
EBT reserve		10,294	10,166
Retained earnings		134,989	68,445
Total equity, attributable to equity shareholders of the parent Company		130,801	66,114
Non-controlling interest		66	(61)
Total equity		130,867	66,053

Statement of Cash Flows

	Note	Year ended 30 June 2011 £'000	Year ended 30 June 2010 £'000
Net cash from operating activities, after tax	13	84,257	71,530
Investing activities			
Interest received		1,443	804
Dividends received from investments		53	50
Proceeds on disposal of available-for-sale investments		121	228
Proceeds on disposal of plant and equipment		78	102
Purchases of property, plant and equipment		(1,596)	(7,834)
Purchase of intangible fixed assets		(349)	(263)
Net cash used in investing activities		(250)	(6,913)
Financing activities			
Purchases of own shares		(2,155)	(3,590)
Proceeds on sale of own shares		258	62
Dividends paid		(31,404)	(77,260)
Net cash used in financing activities		(33,301)	(80,788)
Net increase/(decrease) in cash and cash equivalents		50,706	(16,171)
Cash and cash equivalents at beginning of year		71,245	87,416
Cash and cash equivalents at end of year		121,951	71,245

Notes to the Financial Statements

1. General information

Hargreaves Lansdown plc (the “Company”) 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 2011 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 2011 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 prepared in accordance with the recognition and measurement criteria of EU endorsed International Financial Reporting Standards (IFRS). The principal accounting policies will be set out in the Group’s 2011 statutory accounts.

The comparative figures for the financial year ended 30 June 2010 are based on the statutory accounts for that year. The report of the auditors on the financial statements for the year ended 30 June 2010, 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 2010 have been delivered to Companies House.

2. Revenue

Revenue represents commission 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:

	Year ended 30 June 2011	Year ended 30 June 2010
Revenue from services:	**£’000**	**£’000**
Fees and commission income	171,012	135,738
Interest and similar income	33,107	20,521
Subscriptions and sundry charges	3,785	2,711
Total operating income	207,904	158,970

3. Segment information

At 30 June 2011, 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 the Vantage service, our direct to private investor platform.

The ‘Discretionary’ 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.

3. Segment information (continued)

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 2011 and 2010, these comprise cash and cash equivalents, short-term investments, tax-related and other assets or liabilities.

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

	Vantage	Discretionary	Third Party/ Other Services	Group	Consolidation Adjustment	Consolidated
	£'000	£'000	£'000	£'000	£'000	£'000
Year ended 30 June 2011						
Revenue from external customers	160,524	24,711	22,669	-	-	207,904
Inter-segment revenue	-	3,424	-	-	(3,424)	-
Total segment revenue	160,524	28,135	22,669	-	(3,424)	207,904
Depreciation and amortisation	1,737	205	376	-	-	2,318
Investment revenue	-	-	-	1,496	-	1,496
Other gains and losses	-	-	-	72	-	72
Reportable segment profit before tax	96,688	16,905	11,269	1,151	-	126,013
Reportable segment assets	169,234	9,827	13,155	131,446	(6,555)	317,107
Reportable segment liabilities	(139,238)	(6,397)	(11,686)	(33,323)	4,404	(186,240)
Net segment assets	29,996	3,430	1,469	98,123	(2,151)	130,867
Year ended 30 June 2010						
Revenue from external customers	112,189	22,901	23,879	1	-	158,970
Inter-segment revenue	-	2,560	-	-	(2,560)	-
Total segment revenue	112,189	25,461	23,879	1	(2,560)	158,970
Depreciation and amortisation	1,618	321	468	20	-	2,427
Investment revenue	-	-	-	854	-	854
Other gains and losses	-	-	-	59	-	59
Reportable segment profit before tax	61,744	13,248	10,711	592	-	86,295
Reportable segment assets	87,968	6,853	10,906	87,687	(3,710)	189,704
Reportable segment liabilities	(80,699)	(3,686)	(9,916)	(30,908)	1,558	(123,651)
Net segment assets	7,269	3,167	990	56,779	(2,152)	66,053

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 2011	Year ended 30 June 2010
	£'000	**£'000**
Interest on bank deposits	1,443	804
Dividends from equity investment	53	50
	1,496	854

5. Tax

	Year ended 30 June 2011	Year ended 30 June 2010
	£'000	**£'000**
Current tax	34,732	25,031
Deferred tax (note 10)	(666)	(11)
	34,066	25,020

Corporation tax is calculated at 27.5% of the estimated assessable profit for the year to 30 June 2011.

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

	Year ended 30 June 2011	Year ended 30 June 2010
	£'000	**£'000**
Deferred tax relating to share based payments	(4,510)	(1,104)
Current tax relief on exercise of share options	(170)	-
Current tax on gain on disposal of shares held by EBT	-	(965)
	(4,680)	(2,069)

Factors affecting tax charge for the year

It is expected that the ongoing effective tax rate will trend to a rate approximating to the standard UK corporation tax rate in the medium term. The Finance Act 2011 received Royal Assent on 19 July 2010 and reduced the standard UK corporation tax rate to 26% (from 28%) on 1 April 2011. Deferred tax has been recognised at 26%, being the rate in force at 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 2011.

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 standard rate of UK corporation tax is due to reduce to 25% for the 2012 financial year, 24% for the 2013 financial year and 23% for the 2014 financial year.

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

5. Tax (continued)

Factors affecting future tax charge

	Year ended 30 June 2011 £'000	Year ended 30 June 2010 £'000
Profit before tax from continuing operations	126,013	86,295
Tax	34,653	24,162
- at the UK corporation tax rate of	27.5%	28.0%
Items (allowable)/not allowable for tax	(92)	844
Effect of adjustments relating to prior years	(617)	(7)
Utilisation of rate applicable to trusts	3	21
Impact of the changes in tax rate	119	-
Tax expense for the year	34,066	25,020
Effective tax rate	27.01%	28.90%

6. Dividends

	Year ended 30 June 2011 £'000	Year ended 30 June 2010 £'000
Amounts recognised as distributions to equity holders in the period:		
2010 Final dividend of 0.58p (2009: 4.229p) per share	2,688	19,640
2010 Final special dividend of 1.7p (2009: 2.807p) per share	7,879	13,036
First dividend of 4.5p (2010: 8p) per share	20,837	37,154
First interim dividend of nil (2010: 1.6p) per share	-	7,431

After the balance sheet date, the directors declared a second interim (final) ordinary dividend of 8.41 pence per share and a special dividend of 5.96 pence per share payable on 29 September 2011 to shareholders on the register on 9 September 2011.

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 2011	Year ended 30 June 2010
Number of shares held by the Hargreaves Lansdown Employee Benefit Trust	11,214,774	10,693,671
Representing % of called-up share capital	2.36%	2.25%

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

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

Adjusted basic earnings per share and adjusted diluted earnings per share are calculated as for basic and diluted earnings per share, but using an adjusted earnings figure such that the profit attributable to equity holders of the Company is stated before investment gains and before the FSCS levy in 2011 and one-off costs relating to the new office in 2010. The directors consider that the adjusted earnings per share represent a more consistent measure of underlying performance.

	Year ended 30 June 2011	**Year ended 30 June 2010**
Earnings (all from continuing operations)	**£'000**	**£'000**
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the parent company	91,820	61,266
Other gains	(72)	(59)
One-off costs relating to the new office	-	4,429
One-off costs relating to the FSCS additional levy	3,036	-
Tax on one-off costs relating to the new office	-	(720)
Tax on one-off costs relating to the additional FSCS levy	(844)	-
Earnings for the purposes of adjusted basic and adjusted diluted earnings per share	93,940	64,916
Number of shares	**Number**	**Number**
Weighted average number of ordinary shares for the purposes of diluted earnings per share.	469,074,636	468,417,838
Weighted average number of shares held by HL EBT which have not vested unconditionally with employees	5,831,871	3,944,947
Weighted average number of ordinary shares for the purposes of basic earnings per share	463,242,765	464,472,891
	Pence	**Pence**
Basic earnings per share	19.8	13.2
Diluted earnings per share	19.6	13.1
Adjusted basic earnings per share	20.3	14.0
Adjusted diluted earnings per share	20.0	13.9

8. Investments

	At 30 June 2011	**At 30 June 2010**
	£'000	**£'000**
At beginning of year	2,322	2,382
Sales	(121)	(228)
Net increase in the value of available-for-sale investments	39	168
At end of year	2,240	2,322
Current asset investments	2,240	2,322

8. Investments (continued)

Current asset investments include the following:	At 30 June 2011	At 30 June 2010
	£'000	£'000
UK listed securities valued at quoted market price	1,499	1,581
Unlisted securities valued at cost	741	741
	2,240	2,322

£350,000 (2010: £471,000) of investments are classified as held at fair value through profit and loss and £1,890,000 (2010: £1,851,000) 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. Other financial assets

Trade and other receivables	At 30 June 2011	At 30 June 2010
	£'000	£'000
Trade receivables	147,738	91,306
Other receivables	218	344
Prepayments	28,222	12,524
	176,178	104,174

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 are included in debtors. Trade receivables include £134.3 million (2010: £80.3 million) of counterparty balances.

Cash and cash equivalents	At 30 June 2011	At 30 June 2010
	£'000	£'000
Cash and cash equivalents	121,951	71,245
Comprising:		
Restricted cash - client settlement account balances	13,538	9,729
Restricted cash - balances held by EBT	469	3,289
Group cash and cash equivalent balances	107,944	58,227

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 30 June 2011 segregated deposit amounts held by the Group on behalf of clients in accordance with the client money rules of the Financial Services Authority amounted to £2,248 million (2010: £2,071 million). The client retains the beneficial interest in these deposits and accordingly they are not included in the balance sheet of the Group.

10. Deferred tax

The Group has no deferred tax liabilities and the numbers shown below reflect the deferred tax assets of the Group.

	At 30 June 2011	At 30 June 2010
	£'000	£'000
Deferred tax asset	8,117	2,941

The following are the major deferred tax assets recognised and movements thereon during the current and prior reporting years.

	Accelerated tax depreciation	Future relief on capital losses	Share based payments	Other deductible temporary differences	Total
	£'000	£'000	£'000	£'000	£'000
At 1 July 2009	610	98	816	302	1,826
(Charge)/credit to income	(404)	(98)	55	458	11
Credit to equity	-	-	1,104	-	1,104
At 30 June 2010	206	-	1,975	760	2,941
Credit to income	377	-	249	40	666
Credit to equity	-	-	4,510	-	4,510
At 30 June 2011	583	-	6,734	800	8,117

11. Other financial liabilities

Trade and other payables

	At 30 June 2011	At 30 June 2010
	£'000	£'000
Current payables		
Trade payables	147,450	91,494
Social security and other taxes	3,359	3,233
Other payables	4,950	5,186
Accruals and deferred income	11,680	8,779
	167,439	108,692

In accordance with market practice, certain balances with clients, Stock Exchange member firms and other counterparties are included in creditors. Trade payables include £146.7 million (2010: £88.7 million) of counterparty balances. Accruals and other payables principally comprise amounts outstanding for trade purchases and on-going costs.

12. Share capital

	At 30 June 2011	At 30 June 2010
	£'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.

13. Note to the consolidated cash flow statement

	Year ended 30 June 2011	Year ended 30 June 2010
	£'000	£'000
Profit for the year after tax	91,947	61,275
Adjustments for:		
Investment revenues	(1,496)	(854)
Other gains and losses	(72)	(59)
Income tax expense	34,066	25,020
Depreciation of plant and equipment	2,055	2,138
Amortisation of intangible assets	263	289
Share-based payment expense	1,618	608
(Decrease)/increase in provisions	(839)	114
Operating cash flows before movements in working capital	127,542	88,531
Increase in receivables	(72,004)	(28,757)
Increase in payables	58,748	32,700
Cash generated by operations	114,286	92,474
Income taxes paid	(30,029)	(20,944)
Net cash from operating activities	84,257	71,530

14. Going concern

The Group maintains ongoing forecasts that indicate continued profitability in the 2012 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.