Hargreaves Lansdown plc

Unaudited Preliminary Results Announcement Year ended 30 June 2012

Embargoed: for release at 0700h, 5 September 2012

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 2012.

Highlights:

- Total assets under administration up 7% at £26.3 billion
- Revenue increased by 15% to £238.7 million
- Profit before tax up 21% at £152.8 million
- Strong organic growth
- Active Vantage clients increased by 45,000 to 425,000 since 30 June 2011
- Total dividend of 22.59 pence per share, up 20% on last year

	Year to 30 June 2012	Year to 30 June 2011	**Change %**
Revenue	**£238.7m**	£207.9m	**+15%**
Proportion of revenue that is recurring	**81%**	78%	**+3pts.**
Profit before tax	**£152.8m**	£126.0m	**+21%**
Operating profit margin	**63.1%**	59.8%	**+3.3pts**
Total assets under administration	**£26.3bn**	£24.6bn	**+7%**
Diluted earnings per share	**24.1p**	19.6p	**+23%**
Net business inflows	**£3.2bn**	£3.5bn	**-9%**

Ian Gorham, Chief Executive, commented:

Hargreaves Lansdown has again delivered excellent business growth, with record revenues (+15%) and profits (+21%). New, innovative services have furthered growth in assets under administration and client numbers to record levels of £26.3 billion and 425,000 respectively. Net business inflows were £3.2 billion despite a difficult economic backdrop. Such strong results are made possible by our continued reputation for unparalleled client satisfaction and highly effective delivery of our strategy to be the best place to buy investments in the UK. We thank our staff for their continued valuable contribution and our clients for their continued loyalty.

Hargreaves Lansdown will continue to seek to be a role model, to demonstrate that financial services companies can deliver great client satisfaction, reputable behaviour and profitability whilst providing a valuable service to the UK public.

About us:

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

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

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

Contacts:

Hargreaves Lansdown
For media enquiries:
Ian Gorham, Chief Executive
Peter Hargreaves, Co-founder, Executive Director

+44 (0)117 988 9967
For analyst enquiries:
Ian Gorham, Chief Executive
Tracey Taylor, Group Finance Director
James Found, Investor Relations

Analysts' presentation

Hargreaves Lansdown will be hosting an investor and analyst presentation at 9.00am on 5th September 2012 following the release of the results for the year ended 30 June 2012. 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 am pleased to report that Hargreaves Lansdown has had another positive year. The Group has continued to attract significant numbers of new clients and is reporting increased profits despite a year marked by economic and regulatory uncertainty."

Introduction

The number of investors using Vantage, our investment platform, now stands at 425,000. We have always recognised the need to strive to delight the people who invest through us. Our recent client satisfaction survey confirms 95% of clients rate the Hargreaves Lansdown service as good, very good or excellent and client retention has remained extremely high at 94.4%.

Dividend

Capital adequacy requirements have increased over the years and Hargreaves Lansdown has always retained 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 10.65p per share (2011: 8.41p) and an increased special dividend of 6.84p per share (2011: 5.96p) making the total dividend for the year 22.59p per share (2011: 18.87p). Although Hargreaves Lansdown has many initiatives in train, it is the Board's view that these will be easily funded from future cash flow.

The Board

On 3 October 2011, we were delighted to appoint two new independent non-executive directors: Dharmash Mistry and Stephen Robertson. Dharmash is a partner at Balderton Capital LLC and has a deep knowledge in digital media. Stephen is the Director General of the British Retail Consortium. Dharmash and Stephen bring a wealth of complementary experience to Hargreaves Lansdown and broaden the diversity of Board skills.

At this year's Annual General Meeting, Stephen Lansdown will be stepping down from the Board. Having founded this business with Peter Hargreaves in 1981, Stephen has been instrumental to the success of the Group. He has served as a non-executive director for the last two years and will continue to provide his experience and insight in the role of a major shareholder. On behalf of the Board and indeed the whole Group, I would like to express my gratitude to Stephen for his immense contribution to the Group.

Summary

We have again reported a strong set of results. My gratitude goes to all our staff for their continuing hard work and to the Board for their energy and guidance. As we prepare for the final implementation of the Retail Distribution Review, we continue to focus on the needs of clients; a philosophy which will drive our continued growth.

Michael Evans
Chairman
5 September 2012

Extract from Chief Executive's Review

We present our results for the year ended 30 June 2012. In summary Hargreaves Lansdown has again delivered good growth, with record revenues (+15%) and operating profits (+21%). In addition new, innovative services have furthered growth in assets and client numbers.

We remain committed to an asset gathering strategy. Our motivated staff and strong business model deliver value, efficiency and excellent service to retail investors. 95% of clients rate our services as good, very good or excellent, and client recommendation remains one of the key sources of recruiting new clients.

We are focused on our clients and three areas of major potential growth: the private and occupational pensions market; our investment supermarket; and digital media and the internet. Within this framework we have invested and continue to invest in a wide portfolio of new initiatives.

Review of the economic background

Last year's report commented that the political environment was turbulent and uncertain and noted that much of Western society was heavily indebted, both at a sovereign and personal level. These statements remain equally valid for the year under review, indicative of the fact we are in a drawn-out recession. Concerns about the economy, the future of the euro and debt exposure of countries, banks and individuals are consistent themes.

In our previous financial year to 30 June 2011 we benefited from a 21% stock market rise. This year, the succour of a stock market rise disappeared, with the FTSE All Share reversing by 7% in the year to 30 June 2012, leaving it at our year-end at the level it achieved 14 years ago in February 1998.

All in all it is not surprising that the general retail investment market fared badly. The Investment Management Association (IMA) net retail sales figures for funds showed a fall of 58% for the year to 30 June 2012 compared to the comparative period last year.

As investor confidence is heavily influenced by stock market momentum, our continued strong growth is a testament to the diligence of our company in focusing on clients and investing in new and innovative services.

Hargreaves Lansdown's 2012 results

We are delighted to report a record profit before tax of £152.8 million, up 21% on last year's £126.0 million. The key contributors to these excellent results have been the success of new services, careful husbandry of existing resources and cost control.

Bearing in mind the headwind of a market fall of 7%, we report a commendable 7% increase in client assets under administration from £24.6 billion to £26.3 billion. Adjusting for the effects of markets, net new client investments for the year were £3.2 billion and 45,000 investors became new clients during the year.

Our Corporate Vantage service continues to expand, with 47 schemes live or in implementation, a 74% increase in schemes which has been accompanied by a 182% increase in Corporate Vantage assets. Although still in its early stages, this project remains long-term, but we are delighted with the success to date and it is clearly on the path to becoming a material part of Hargreaves Lansdown's business. 2013 sees the first phase of pension auto-enrolment in the UK, which is advantageous to this division.

Our mission is to retain our position as the best place in the UK to buy investments. During the year we improved our stockbroking services both in pricing and scope including Investment Trusts, passive funds and ETFs. Our share of the UK stockbroking market rose to 14.3% for the second quarter of 2012. We also introduced our Junior ISA and have gained a 15% share of the entire UK Junior ISA market.

Digital media offers a new means of communication. We continue to invest in advanced online technology and expertise. Our iPhone app has now been downloaded over 60,000 times and 2012 will see us launch complementary iPad applications. Mobile investing will be a key part of the future of Hargreaves Lansdown.

None of this success would be possible without the support of our clients. We continue to work hard to retain client loyalty and deliver high service levels. In 2012 Hargreaves Lansdown has been a shining example that a reputable company focusing on clients can delight the UK public.

2012 market outlook

It is difficult to see the economic storm clouds dissipating in the next 12 months. We believe austerity will continue despite the political clamour for countries to focus on growth. In time a more positive environment might develop, but we do not expect short term improvement.

We shall have to work hard to promote the benefits of investing. Reduced state support for the public means saving and investing is more important than ever. There is little prospect of higher interest rates on cash in the near future so equities and bonds remain good alternatives for potential higher income. The depressed levels of equity markets also offer patient investors the opportunity for future capital growth.

Company outlook

Hargreaves Lansdown's position is strong. We are estimated to have 28.6% of the direct investing market in the UK (Source: The Direct Platform Guide Issue 2 February 2012), a position built through delivering exceptional service, information and value. As a profitable company with no debt we present the financial strength to give investors comfort over the safety of their investments, to reinvest in our business and respond to competitive activity.

In 2013 we shall continue to enhance our services. Many of these improvements will be revealed in due course but include improved SIPP incentives and an online transfer service. An iPad app and improved functionality to allow clients to more easily control their entire family's assets will augment the reasons to consolidate assets with Hargreaves Lansdown.

As we continue to improve our business we share the benefits of scale, technology and success with our clients in a virtuous circle. Returning value to clients has been key to the success of Hargreaves Lansdown. Costs and charges for retail investors will continue to reduce over time. This will affect our revenue margins but we expect the market and our clients to reward us by increased business. The internet, dislocation of the financial advice market and initiatives such as auto-enrolment should aid further growth.

Since the year-end, there has been nothing to change our outlook on the economic backdrop that we operate in, but given our strength of service and offering we are confident that we will continue to enhance the brand of Hargreaves Lansdown subsequently rewarding both clients and shareholders.

The impact of regulation

A by-product of perceived public and political disenchantment with financial services is the likelihood of more regulation. Whilst Hargreaves Lansdown has delivered excellent service and is an example of what a good financial services company should represent, there is no carve-out from regulation in our country for those with a good record. We therefore expect regulatory change to continue.

Additional regulation presents challenge and cost, but also opportunity. Hargreaves Lansdown has the scale, resources and innovative skills to cope with additional regulation. It is an effective barrier to entry to new competitors.

The Retail Distribution Review (RDR) reforms remain a major theme. It seems that as far as Hargreaves Lansdown is concerned the RDR reforms will take place in two phases.

"RDR Phase 1" commences on 31 December 2012 and relates mainly to financial advice. Hargreaves Lansdown is entirely compliant with this regulation well in advance of its commencement. Our financial advisers are qualified well beyond the requisite levels and we charge a fee for any advice. This regulatory change also presents some opportunity, in particular improvements in portability of client investments which may assist clients who wish to transfer their assets to Hargreaves Lansdown.

Although the proposals are still in consultation, it seems "RDR Phase 2" is likely to take place on 31 December 2013. It is likely the reforms then will require the unbundling of pricing on investment products. Fees for investment management and distribution and custodianship must be charged separately to clients. Whilst the detail remains to be confirmed, we remain confident about these proposals. Provided they are applied fairly to all participants in the market and well communicated, our proposition of a strong service and value offering to a loyal client base should help us weather the change well. We have undertaken a range of modelling and preparatory activities and have had dialogue with the FSA.

The coming year will see two new regulators, the Financial Conduct Authority (FCA) and Prudential Regulatory Authority (PRA). Hargreaves Lansdown will be regulated by the FCA. As a reputable firm we continue to consider ourselves to have a constructive relationship with regulators and do not foresee any disruption from the changing regulatory structure.

Costs for contributions to the Financial Services Compensation Scheme (FSCS) continue to rise. Whilst we are highly supportive of a safety net for retail investors, we remain critical of the conduct of the FSCS and the way it is funded. Recent proposals suggesting instigators of frauds should be allowed to claim compensation for their own misdemeanours and that checks on eligibility could be waived have done nothing to soften our view. We continue to campaign for a rational, sensible compensation scheme.

Whilst Hargreaves Lansdown has had great success in promoting Junior ISAs to the public, the fact that many children cannot take part because they are locked into the Child Trust Fund (CTF) regime is a matter of concern on which we continue to lobby the Government. We support improved portability of client assets allowing retail investors to move easily from old, obsolete investment plans to better value modern products such as those offered by Hargreaves Lansdown. We remain the friend of the retail investor, and continue to work tirelessly to try and improve their lot.

Conclusion

I would again like to thank our clients, shareholders, staff and my fellow directors. Their continued support, good humour and efforts have delivered exceptional results. We shall continue to seek to be a role model for how financial services companies can deliver a great service, reputable behaviour and profitability in harmony with the UK public.

Ian Gorham
Chief Executive
5 September 2012

Extract from Financial Review

Despite tough economic and market conditions, it has been another record year for the Group in terms of revenue and profits. Despite a fall in stock markets during the year to 30 June 2012, significant levels of organic growth from new business and new clients meant that we finished the year with a record £26.3bn of AUA.

	2012 £'million	2011 £'million
Revenue	238.7	207.9
Administrative expenses	(83.3)	(79.8)
Total FSCS levy costs	(4.8)	(3.7)
Operating profit	150.6	124.4
Non-operating income	2.2	1.6
Profit before taxation	152.8	126.0
Taxation	(39.5)	(34.1)
Profit after taxation	113.3	91.9
Basic earnings per share (pence)	24.2	19.8
Diluted earnings per share (pence)	24.1	19.6

These record results are testament to our business model and the trust that our clients place in us to deliver the services they require.

Total revenue increased by 15% to £238.7 million. The Vantage division revenue increased by 16%. The key drivers have been the recurring revenue streams of renewal income, interest and management fees, which combined accounted for an increase of £31.4 million. This was offset slightly by a fall in revenue from stockbroking resulting from the introduction of lower tariffs from 1 August 2011.

The Group's operating profit increased by 21% to £150.6 million in 2012 compared to £124.4 million for 2011.

The operating profit margin increased from 59.8% to 63.1%. There was 15% revenue growth, whereas the increase to operating expenses was contained to 6%.

Statutory profit before tax increased by 21% to £152.8 million compared to £126.0 million in the previous year. The effective tax rate for the Group this year was 25.9%, resulting in a reported profit after tax for the year of £113.3 million (2011: £91.9 million).

Total assets under administration can be broken down as follows:

		At 30 June 2012 £'billion		At 30 June 2011 £'billion
Vantage Assets Under Administration (AUA)		24.6		23.1
Assets Under Administration and Management (AUM)				
- Portfolio Management Service (PMS)	1.6		1.5	
- Multi-manager funds outside PMS	0.8		0.8	
AUM Total		2.4		2.3
Less: Multi-manager funds included in both AUA and AUM		(0.8)		(0.8)
Total Assets Under Administration		26.3		24.6

Figures in the table have been rounded

Total Assets under administration (AUA) have increased by 7%. Vantage AUA are up by 6% and the assets in PMS and our Multi-manager funds by 4%. These increases have helped to deliver 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 2012 £'million**	Year Ended 30 June 2011 £'million
Vantage	**185.7**	160.5
Discretionary	**27.3**	24.7
Third Party and Other services	**25.7**	22.7
	238.7	207.9

Vantage

The Vantage division increased its revenues by £25.2 million or 16%, from £160.5 million to £185.7 million. This was driven primarily by growth in Assets Under Administration (AUA) by 6% from £23.1 billion to £24.6 billion and the impact of a full year's income on assets gathered during the previous year.

The £1.5 billion (2011: £6.8 billion) increase in Vantage assets from £23.1 billion to £24.6 billion can be attributed primarily to £3.1 billion of net new business inflows (2011: £3.4 billion). This was moderated by the stock market decline which had a negative effect of £1.5 billion (net of interest credited to clients on cash balances) on assets compared to £3.2 billion of market growth in 2011. Despite the volatile financial markets and low investor confidence, the growth in AUA resulting from net new business inflows, or 'organic growth', has in this climate been commendable at 13% (2011: 21%).

The growth in AUA derived from stock market and other growth factors was -6% (2011: +21%). Stock market declines had the biggest impact on the Fund and Share account where there is a bias towards equities rather than bonds and cash as compared with the SIPP and ISA. Markets caused a 7.8% fall in the Fund and Share AUA compared to declines of 5.9% and 5.6% in the SIPP and ISA. The combined impact of organic growth and market declines resulted in SIPP AUA growing by 15%, ISA by 6% and the Fund and Share account (traditionally most sensitive to markets) by 1%. Included within the Fund and Share account is a significant holding in Hargreaves Lansdown shares which decreased in value by 12% during the year. Removing this, the growth in Fund and Share AUA was 5%. As at 30 June 2012, the value of the Vantage ISA was £10.0 billion, (30 June 2011: £9.5 billion), the Vantage SIPP was £7.6 billion (30 June 2011: £6.6 billion) and the Vantage Fund and Share Account was £7.1 billion (30 June 2011: £7.0 billion).

The ISA allowance has been increased from £10,680 to £11,280 in the tax year ending 5 April 2013 and as usual we saw increased activity levels around the tax year-end as clients ensured they did not miss last year's allowance and also sought to utilise the current year's allowance as soon as possible. The adult ISA has now been complemented with the introduction of the new Junior ISA as from 1 November 2011. The annual allowance is £3,200 and as at 30 June 2012 almost 9,000 such accounts had been opened totalling £26 million. A competitive cash ISA was launched on 9 March 2012 which gives clients a fixed rate of interest for either one or two years. Upon maturity new competitive offers will be available unlike the derisory level in so many competitor offerings. As at 30 June 2012 there were just over 3,000 cash ISA accounts totalling £24 million. The introduction of the Junior ISA helps to broaden the eligible client base of Vantage and enables us to build a valuable and loyal relationship with clients of the future. The introduction of the cash ISA affords us the opportunity to win a share of the c£200 billion invested in cash ISAs.

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. This has led to an 18% increase in the average value of contributions in the SIPP (2011: -17%). An increased number of clients made contributions of new monies into their SIPP accounts this year (SIPP +18%) but fewer contributed to their ISAs (-2%) with average contributions into the ISA also reducing by 2% due to investors having reduced spare monies for investment and the effect of the Junior and Cash ISAs where subscription limits are 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. Although the value of transfers decreased by 6%, net inflows of new business have been achieved across all the Vantage services with the SIPP achieving £1.4 billion (2011: £1.4 billion), the ISA £1.1 billion (2011: £1.3 billion) and the Fund and Share account £0.6 billion (2011: £0.7 billion).

During the year the number of active Vantage clients increased by 45,000 to 425,000. 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 63,000; SIPP accounts increased by 24,000, ISA by 26,000 and Fund and Share by 13,000. The number of SIPP accounts was then reduced by circa 22,000 accounts as the protected rights account was merged in with the other SIPP accounts.

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 being introduced nine years ago, and as at 30 June 2012 we had 53,000 clients (2011: 47,000) saving a total of £19 million each month by way of direct debit instruction. Our Corporate Vantage service has the potential to make a significant increase to the value of regular monthly savings, currently circa £2.4 million each month.

Vantage clients increased their cash weightings during the period as worldwide stock markets remained volatile and investor confidence was relatively low. The composition of assets across the whole of Vantage changed during the period: as at 30 June 2012, Vantage assets were 31% in direct stocks and shares (30 June 2011: 30%), 57% in funds (30 June 2011: 60%) and 12% in cash (30 June 2011: 10%).

Vantage clients increased by 12% over the year and the volume of fund deals increased by 5%, reflecting low investor confidence and the switch to holding cash. Share deals fared better, showing a 16% increase in volume thanks to lower dealing charges and improved functionality launched in August 2011. Vantage clients transacted 4.1 million fund deals (2011: 3.9 million) and 1.5 million share deals in the year (2011: 1.3 million). No charge is made to our clients for dealing in investment funds and therefore fund dealing does not impact revenues. Although the share dealing charge was lowered, increased volumes resulted in a reduction to stockbroking commission of only £2.3m.

The overall average gross revenue margin within Vantage increased from 78bps to 81bps. The improvement was driven by slightly higher interest rates achieved on client money held, which more than offset the reduction in margin relating to equities as a result of the lower dealing tariffs. The margin made on funds held by clients remained consistent with last year. Throughout the year we have again faced all-time historically low interest rates, with the Bank of England base rate being just 0.5%. The improved margin on cash we have achieved has enabled us to offer more fixed interest fixed term deposits to our clients, helping them to achieve better returns on their cash.

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 11% from £24.7 million to £27.3 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 £0.1 billion to £2.4 billion as at 30 June 2012 (2011: £2.3 billion). Of these, £0.8 billion of the Group's multi-manager funds were held within Vantage as at 30 June 2012 (2011: £0.8 billion). The growth in assets is due to net new business of £0.2 billion combined with a market decline of £0.1 billion.

This division earns initial advice fees and management fees on assets introduced into PMS. £113m of net new business was introduced into PMS during the year (2011: £109m). Distribution of PMS is through the Group's team of advisers. The number of advisers as at 30 June 2012 was 68, the same as last year-end. The proportion of PMS assets invested in Hargreaves Lansdown multi-manager funds as at 30 June 2012 was 90% (2011: 91%).

Third Party and Other Services

The division as a whole saw an increase in revenues of 13%, from £22.7 million to £25.7 million.

Although the Group continues to write some third party pension business, the focus has shifted towards the Corporate Vantage service and hence third party business will see a gradual decline. Other services, however, are delivering growth. Revenue from our Funds Library service increased by £1.2 million, driven by a general improvement on all revenues and in particular the user licence fees as we have made additional data services available to a larger client base.

The total revenues from Hargreaves Lansdown markets (CFDs, spread betting and currency services) were up £0.7m on last year as increased numbers of clients utilise these additional services that we offer thus driving transactional volumes higher.

Stockbroking services

Stockbroking has transacted a record 1.5 million deals, up 15%. From 1 August 2011 the stockbroking tariff was improved. For online deals, clients pay as little as £5.95 and a maximum of £11.95. We expected the average online dealing charge to reduce from the £16.90 to c£10.40; in reality the average dealing charge has only fallen to £10.65 or to £12.73 if we include currency commission for online overseas deals. The functionality of our service was improved with the launch of our i-Phone and Android apps, stop loss and limit order service, and online overseas share dealing. Our initiatives have driven increased dealing volumes and substantial online overseas dealing which attracts a foreign currency commission margin. The increased volumes helped offset the loss in revenue from the drop in the average dealing charge.

Operating expenses

	Year Ended 30 June 2012 £'million	Year Ended 30 June 2011 £'million
Staff costs	**43.5**	40.1
Commission payable	**16.4**	15.7
Marketing and distribution costs	**9.4**	9.2
Office running costs	**4.5**	4.1
Depreciation, amortisation and financial costs	**2.6**	2.6
Other costs	**6.9**	8.1
Total administrative expenses	**83.3**	79.8
Total FSCS levy costs	**4.8**	3.7
Total operating expenses	**88.1**	83.5

Administrative expenses under our control have been contained to a 4% increase. FSCS costs, beyond our control, have increased by 30%. This resulted in a net increase in operating expenses of 6%.

Taken in the context of a 15% increase in revenue and a 21% increase in operating profit year on year, the 4% increase in administration expenses demonstrates a strong focus on cost control, efficiencies and the scalability of our business model.

Staff costs remain our largest cost and increased by 2% points to 52% (2011: 50%), as a percentage of administrative expenses.

The number of staff on a full-time equivalent basis (including directors) employed at 30 June 2012 was 658, and the average number of staff during the year was 657, an increase of 2% against an average of 643 for the comparative year. The increase in numbers resulted mainly from an increased investment in information technology development staff.

We operate a defined contribution pension scheme with staff and directors participating on equal terms. Pension costs are recognised as an expense when the contribution is payable.

Commission payable includes the share of renewal income which the Group receives on investment funds held in Vantage, which is rebated to clients in our ISA and Fund and Share accounts as a loyalty bonus. It increased by 4%, from £15.7 million to £16.4 million, in line with the rise in value of the related client assets. On average 16% of renewal income earned in Vantage is returned to clients.

Group marketing and distribution spend increased by 2%, from £9.2 million to £9.4 million and includes the costs of printing and sending information and newsletters to existing and potential clients, media advertising, online marketing and client incentives. There has been an overall increase in the level of client communication and direct marketing activity compared to the previous financial year but an increased proportion of marketing is conducted electronically at a cheaper cost and an increased number of clients opt for our online or paperless services. Offering incentives to existing and new clients for transferring business to our platform has been a successful method of gathering assets, although the related costs have increased this year. From 1 January 2013 we have decided to offer additional incentives to SIPP clients. These are estimated to cost £3 million in the financial year ending 30 June 2013 and £6 million per annum thereafter.

Office costs include rent, rates, utility and security costs and have increased by £0.4 million, primarily relating to the rental of a disaster recovery site.

Other costs include dealing costs, irrecoverable VAT, compensation, insurance, legal and professional services, computer maintenance and external administration charges. These collectively decreased by 15% from £8.1 million to £6.9 million. As the company grows certain costs such as computer maintenance and irrecoverable VAT inevitably grow too. More than offsetting such increases this year, however, has been a VAT recovery of £2.2 million following a successful challenge of the VAT treatment of certain services in prior years.

FSCS levy

Unlike administrative expenses where we have a degree of control over them, 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 that falls within each activity class of the scheme. The majority of Hargreaves Lansdown's income is classified as falling into either the Investment Intermediary, Life and Pensions or Fund Management class. Unfortunately many failures such as Arch Cru, Keydata and Wills & Co fall into the investment intermediary sub-class because the investments were sold through independent financial advisers. The investment intermediary sub-class also includes execution only business, and, as the majority of Hargreaves Lansdown's income is derived from execution-only business, we make a significant contribution to the cost of compensation on investments we would never have recommended to anyone. The number of failures and the cost of compensation do not seem to be abating despite increased regulation from the FSA, the cost of which is also borne by successful firms. The total amount levied for FSCS costs increased from £3.7 million last year to £4.8 million.

Non-operating income

Includes investment revenues up from £1.6 million to £2.2 million driven by an increase in the average cash balances held and higher interest rates achieved on those balances.

Taxation

Taxation increased from £34.1 million to £39.5 million. The effect of the increase in pre-tax profits was slightly softened by the effective tax rate decreasing from 27.0% to 25.9%, the chief factor being a reduction in the corporation tax rate from 26% to 24% as from 1 April 2012.

The Group's policy on tax 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.

Earnings per share (EPS)

The diluted EPS increased by 22% from 19.6 pence to 24.1 pence. This 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 funding of the EBT and potential dilution of share capital is provided within the Directors' Remuneration Report.

Dividend

The directors are now declaring a second (final) ordinary dividend of 10.65 pence and a special dividend of 6.84 pence per ordinary share, payable on 28 September 2012 to all shareholders on the register at the close of business on 14 September 2012. This brings the total dividends in respect of the year to 22.59 pence per ordinary share (2011: 18.87p), an increase of 20%.

Dividend per share	**2012**	2011	Change
Interim dividend paid	**5.1p**	4.5p	+13%
Second (final) dividend	**10.65p**	8.41p	+27%
Special dividend declared	**6.84p**	5.96p	+15%
Total dividend for the year	**22.59p**	18.87p	+20%

Balance sheet and cash flow

We have continued to maintain a clean balance sheet with high cash reserves and no debt. Group net assets increased from £130.9 million to £157.4 million. Retained profits helped to increase the Group's own cash balances to £145.1 million. The most significant cash outflow during the current year was the payment of dividends totalling £90.2 million.

There continues to be concern over the uncertainty in the Eurozone regarding the indebtedness of certain countries, particularly Greece, Portugal, Spain, Italy and Ireland, and the health of their banking sectors. As at 30 June 2012 the Group has no direct counterparty exposure to these countries. In addition, the Board has concluded that no impairment provisions are required for indirect exposures to Eurozone sovereign debt.

Capital expenditure

This year the capital expenditure of £1.1 million, like last year's amount of £1.9 million was mainly on IT hardware and software. Although the headline capital expenditure looks low, particularly given the extent of our client platform and service improvements, it is worth noting that our systems are maintained in-house. As such we have significant IT resource dedicated to IT development. For the year ended 30 June 2012 57 staff were employed in IT development and the related cost was expensed within staff costs, rather than a significant proportion of it being capitalised and subsequently depreciated. Going forwards we shall continue to invest in strengthening our IT infrastructure and although the overall cost may increase a bit the majority will continue to be expensed.

Cash flow and treasury policy

The Group is highly cash generative, with 104% of operating profit converted to operating cash flow during the year.

The total cash balance of £157.7 million reported in the balance sheet includes £12.6 million of client settlement account balances. The Group's own cash balances of £145.1 million includes cash held within the EBT which has increased from £0.5 million as at 30 June 2011 to £2.7 million at 30 June 2012 following the sale of Hargreaves Lansdown plc shares held in the EBT upon the maturity of share options in the year.

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.

Decrease 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 £93.4 million (2011: £134.3 million) and £105.6 million (2011: £146.7 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 generally, regulatory capital requirements have increased in recent years and we expect this to continue as a result of FSA requirements. During the 2012 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 2012, the aggregated Pillar 1 regulatory capital requirement across the four regulated subsidiary companies was approximately £8.4 million compared to capital resources of approximately £65.3 million held in the four subsidiaries and £157.2 million 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 consultation paper CP 12/12. As expected, the consultation paper has confirmed that the FSA's direction of travel relating to Platforms is unchanged. 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. Further detail on the aims and timings of Stage Two are given below under the section "Principal risks and uncertainties". Overall we support increased transparency and investor choice, but will continue to lobby the FSA to ensure the proposals do not create an uneven playing field.

During the history of Hargreaves Lansdown there have been many external factors which when initially revealed, could 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. We are currently in the process of discussing the finer detail of our response to the Platform paper, however, we believe Hargreaves Lansdown's experience, business model and financial position will enable us to accommodate any necessary changes without harmful effect on long-term profitability.

Conclusion

Despite the continued economic headwinds, Hargreaves Lansdown has continued its growth in client numbers, AUA and profits, which is clearly an endorsement of the excellent service we provide. The investment landscape is constantly changing and we aim to always adapt accordingly to ensure we provide the best proposition for our existing clients and to win the business of new clients. The implementation of the RDR for both advisers and platforms will ensure the landscape will continue to change and there remains uncertainty in how the post RDR world will look. As the UK's leading investment supermarket, Hargreaves Lansdown will play its part in shaping the future and we are confident that we can continue to grow the business for many years to come by putting our clients first and meeting their investment needs.

Tracey Taylor
Group Finance Director
5 September 2012

Consolidated Income Statement

	Note	**Year ended 30 June 2012**	**Year ended 30 June 2011**
		£'000	£'000
Revenue	2	238,741	207,904
Total operating income		238,741	207,904
Administrative expenses		(83,355)	(79,813)
FSCS costs*		(4,774)	(3,646)
Operating profit		150,612	124,445
Investment revenue	4	2,229	1,496
Other (losses) / gains		(2)	72
Profit before tax		152,839	126,013
Tax	5	(39,520)	(34,066)
Profit after tax		113,319	91,947
Attributable to:			
Equity shareholders of the parent Company		112,960	91,820
Non-controlling interest		359	127
		113,319	91,947
Earnings per share			
Basic earnings per share * (pence)	7	24.2	19.8
Diluted earnings per share * (pence)	7	24.1	19.6

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

** FSCS costs are those relating to the running of and the levies issued under the Financial Services Compensation Scheme. In previous years these costs were included within administrative expenses.*

These financial statements are unaudited.

Consolidated Statement of Comprehensive Income

	Year ended 30 June 2012 £'000	Year ended 30 June 2011 £'000
Profit for the financial year	113,319	91,947
Increase in fair value of available-for-sale investments	30	39
Total comprehensive income for the financial year	113,349	91,986
Attributable to:-		
Equity holders of the Company	112,990	91,859
Non-controlling interest	359	127
	113,349	91,986

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 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**
Profit for the period	-	-	-	-	-	-	112,960	**112,960**	359	**113,319**
Other comprehensive income:-										
Net fair value gains on available-for-sale assets	-	-	30	-	-	-	-	**30**	-	**30**
Employee Benefit Trust:-										
Shares sold in the year	-	-	-	-	2,500	-	-	**2,500**	-	**2,500**
EBT share sale net of tax	-	-	-	-	-	(280)	-	**(280)**	-	**(280)**
Employee share option scheme:-										
Share-based payments expense	-	-	-	-	-	-	2,136	**2,136**	-	**2,136**
Current tax effect of share based payments	-	-	-	-	-	-	4,636	**4,636**	-	**4,636**
Deferred & current tax effect of share-based payments	-	-	-	-	-	-	(5,617)	**(5,617)**	-	**(5,617)**
Dividend paid	-	-	-	-	-	-	(90,172)	**(90,172)**	-	**(90,172)**
At 30 June 2012	1,897	8	160	12	(14,029)	10,014	158,932	**156,994**	425	**157,419**

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 2012 £'000	At 30 June 2011 £'000
Non-current assets			
Goodwill		1,333	1,333
Other intangible assets		168	296
Property, plant and equipment		5,792	6,980
Deferred tax assets	10	2,939	8,117
		10,232	16,726
Current assets			
Trade and other receivables	9	142,606	176,178
Cash and cash equivalents	9	157,719	121,951
Investments	8	2,228	2,240
Current tax assets		17	12
		302,570	300,381
Total assets		312,802	317,107
Current liabilities			
Trade and other payables	11	136,952	167,439
Current tax liabilities		18,154	18,742
		155,106	186,181
Net current assets		147,464	114,200
Non-current liabilities			
Provisions		277	59
		277	59
Total liabilities		155,383	186,240
Net assets		157,419	130,867
Equity			
Share capital	12	1,897	1,897
Share premium account		8	8
Investment revaluation reserve		160	130
Capital redemption reserve		12	12
Shares held by Employee Benefit Trust reserve		(14,029)	(16,529)
EBT reserve		10,014	10,294
Retained earnings		158,932	134,989
Total equity, attributable to equity shareholders of the parent Company		156,994	130,801
Non-controlling interest		425	66
Total equity		157,419	130,867

Statement of Cash Flows

	Note	Year ended 30 June 2012	Year ended 30 June 2011
		£'000	£'000
Net cash from operating activities, after tax	13	122,549	84,257
Investing activities			
Interest received		2,158	1,443
Dividends received from investments		71	53
Proceeds on disposal of available-for-sale investments		42	121
Proceeds on disposal of plant and equipment		2	78
Purchases of property, plant and equipment		(998)	(1,596)
Purchase of intangible fixed assets		(104)	(349)
Net cash used in investing activities		1,171	(250)
Financing activities			
Purchases of own shares		-	(2,155)
Proceeds on sale of own shares		2,220	258
Dividends paid		(90,172)	(31,404)
Net cash used in financing activities		(87,952)	(33,301)
Net increase in cash and cash equivalents		35,768	50,706
Cash and cash equivalents at beginning of year		121,951	71,245
Cash and cash equivalents at end of year		157,719	121,951

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 2012 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 2012 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 2012 statutory accounts.

The comparative figures for the financial year ended 30 June 2011 are based on the statutory accounts for that year. The report of the auditors on the financial statements for the year ended 30 June 2011, 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 2011 have been delivered to Companies House.

2. Revenue

Revenue 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 2012	**Year ended 30 June 2011**
Revenue from services:	**£'000**	£'000
Recurring income	192,609	161,240
Transactional income	42,479	44,186
Other income	3,653	2,478
Total operating income	238,741	207,904

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. The policies adopted for the recognition of each significant revenue stream are set out in note 2 above.

In previous periods the Group's revenue was analysed into the categories of fees and commission income, interest and similar income and subscriptions and sundry charges. This analysis has been changed in the current year to analyse revenue as recurring, transactional or other. This change has been made as the directors believe the analysis set out above more appropriately reflects the nature of the revenue being earned and the key performance indicators monitored. The policies for the recognition of each significant revenue stream and the total revenue recognised for each accounting period have not changed as a result of this reclassification.

3. Segment information

At 30 June 2012, 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 2012 and 2011, these comprise cash and cash equivalents, short-term investments, tax-related and other assets or liabilities.

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

	Vantage	Discretionary	Third Party/ Other Services	Group	Consolidation Adjustment	Consolidated
	£'000	£'000	£'000	£'000	£'000	£'000
Year ended 30 June 2012						
Revenue from external customers	185,731	27,260	25,718	32	-	238,741
Inter-segment revenue	-	3,796	-	-	(3,796)	-
Total segment revenue	185,731	31,056	25,718	32	(3,796)	238,741
Depreciation and amortisation	1,719	264	432	-	-	2,415
Investment revenue	-	-	-	2,229	-	2,229
Other gains and losses	-	-	-	(2)	-	(2)
Reportable segment profit before tax	118,236	18,367	14,611	1,625	-	152,839
Reportable segment assets	133,036	10,495	14,612	167,725	(13,066)	312,802
Reportable segment liabilities	(99,380)	(7,883)	(13,018)	(40,176)	5,074	(155,383)
Net segment assets	33,656	2,612	1,594	127,549	(7,992)	157,419
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

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 2012	Year ended 30 June 2011
	£'000	**£'000**
Interest on bank deposits	2,158	1,443
Dividends from equity investment	71	53
	2,229	1,496

5. Tax

	Year ended 30 June 2012	Year ended 30 June 2011
	£'000	**£'000**
Current tax	39,959	34,732
Deferred tax (note 10)	(439)	(666)
	39,520	34,066

Corporation tax is calculated at 25.5% of the estimated assessable profit for the year to 30 June 2012 (2011: 27.5%).

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 2012	Year ended 30 June 2011
	£'000	£'000
Deferred tax relating to share based payments	5,617	(4,510)
Current tax relating to share-based payments	(4,636)	-
	981	(4,510)

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 2012 received Royal Assent on 17 July 2012 and reduced the standard UK corporation tax rate to 24% (from 26%) on 1 April 2012. Deferred tax has been recognised at 24%, being the rate in force 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 2012.

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 standard rate of UK corporation tax is due to reduce to 23% from 1 April 2013 which will reduce the deferred tax assets shown in note 10 by an estimated £123,000; this will be recognised in the financial statements for the year ended 30 June 2013.

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

5. Tax (continued)

	Year ended 30 June 2012	Year ended 30 June 2011
	£'000	**£'000**
Profit before tax from continuing operations	152,839	126,013
Tax	38,976	34,653
- at the UK corporation tax rate of	25.5%	27.5%
Items not allowable/(allowable)for tax	397	(92)
Effect of adjustments relating to prior years	7	(617)
Utilisation of rate applicable to trusts	-	3
Impact of the changes in tax rate	140	119
Tax expense for the year	39,520	34,066
Effective tax rate	25.9%	27.01%

6. Dividends

	Year ended 30 June 2012	Year ended 30 June 2011
	£'000	£'000
Amounts recognised as distributions to equity holders in the period:		
2011 Final dividend of 8.41p (2010: 0.58p) per share	38,947	2,688
2011 Final special dividend of 5.96p (2010: 1.7p) per share	27,601	7,879
2012 First interim dividend of 5.1p (2011: 4.5p) per share	23,624	20,837

After the balance sheet date, the directors declared a second interim (final) ordinary dividend of 10.65 pence per share and a special dividend of 6.84 pence per share payable on 28 September 2012 to shareholders on the register on 14 September 2012. 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 2013 financial statements as follows:

	£'000
2012 Second interim (final) dividend of 10.65p per share	49,743
2012 Special dividend of 6.84p per share	31,948

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 2012	Year ended 30 June 2011
Number of shares held by the Hargreaves Lansdown Employee Benefit Trust	7,263,396	11,214,774
Representing % of called-up share capital	1.53%	2.36%

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.

	Year ended 30 June 2012 £'000	Year ended 30 June £'000
Earnings (all from continuing operations):		
Earnings for the purposes of basic and diluted EPS - net profit attributable to equity holders of parent company	**112,960**	91,820
Earnings for the purposes of basic EPS and diluted EPS	**112,960**	91,820
Number of shares:		
Weighted average number of ordinary shares for the purposes of diluted EPS	**469,424,156**	469,074,636
Weighted average number of shares held by HL EBT which have not vested unconditionally with	**(2,304,199)**	(5,831,871)
Weighted average number of ordinary shares for the purposes of basic EPS	**467,119,957**	463,242,765
Earnings per share:	**Pence**	Pence
Basic EPS	**24.2**	19.8
Diluted EPS	**24.1**	19.6

The weighted average number of anti-dilutive share options and awards excluded from the calculation of diluted earnings per share was 2,806,402 at 30 June 2012 (2011: nil).

8. Investments

	Year ended 30 June 2012 £'000	Year ended 30 June £'000
At beginning of year	**2,240**	2,322
Sales	**(42)**	(121)
Net increase in the value of available-for-sale investments	**30**	39
At end of year	**2,228**	2,240
Comprising:		
Current asset investment - UK listed securities valued at quoted market price	**1,486**	1,499
Current asset investment - Unlisted securities valued at cost	**742**	741

£308,000 (2011: £350,000) of investments are classified as held at fair value through profit and loss and £1,920,000 (2011: £1, 890,000) are classified as available-for-sale. Available-for-sale investments have been included at fair value where a fair value can be reliably calculated, with the revaluation gains and losses reflected in the investment revaluation reserve 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 2012	At 30 June 2011
	£'000	£'000
Trade receivables	105,654	147,738
Other receivables	91	218
Prepayments	36,861	28,222
	142,606	176,178

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 £93.4 million (2011: £134.3million) of counterparty balances.

Cash and cash equivalents	At 30 June 2012	At 30 June 2011
	£'000	£'000
Cash and cash equivalents	157,719	121,951
Comprising:		
Restricted cash - client settlement account balances	12,644	13,538
Restricted cash - balances held by EBT	2,695	469
Group cash and cash equivalent balances	142,380	107,944

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

At 30 June 2012 segregated deposit amounts held by the Group on behalf of clients in accordance with the client money rules of the Financial Services Authority amounted to £2,922 million (2011: £2,248 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 following are the major deferred tax assets recognised and movements thereon during the current and prior reporting years. Deferred tax has been recognised at 24%, being the rate in force at the balance sheet date. The Finance Act 2012 reduces the standard UK corporation tax rate to 23% from 1 April 2013 which will reduce the deferred tax assets and liabilities shown below.

	Accelerated tax depreciation	Future relief on capital losses	Share-based payments	Other deductible temporary differences	Total
	£'000	£'000	£'000	£'000	£'000
Group					
At 1 July 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
Credit/(charge) to income	67	22	45	305	439
Charge to equity			(5,617)		(5,617)
At 30 June 2012	650	22	1,162	1,105	2,939

11. Other financial liabilities

Trade and other payables	At 30 June 2012	At 30 June 2011
	£'000	£'000
Current payables		
Trade payables	107,206	147,450
Social security and other taxes	7,615	3,359
Other payables	7,806	4,950
Accruals and deferred income	14,325	11,680
	136,952	167,439

In accordance with market practice, certain balances with clients, Stock Exchange member firms and other counterparties are included in creditors. Trade payables include £105.6 million (2011: £146.7 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 2012	At 30 June 2011
	£'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 2012	Year ended 30 June 2011
	£'000	£'000
Profit for the year after tax	113,319	91,947
Adjustments for:		
Investment revenues	(2,158)	(1,496)
Other gains and losses	(71)	(72)
Income tax expense	39,520	34,066
Depreciation of plant and equipment	2,186	2,055
Amortisation of intangible assets	229	263
Loss on disposal	2	-
Share-based payment expense	2,136	1,618
Increase /(decrease) in provisions	218	(839)
Operating cash flows before movements in working capital	155,381	127,542
Decrease/(Increase) in receivables	33,572	(72,004)
(Decrease)/Increase in payables	(30,487)	58,748
Operating cash flows	158,466	114,286
Income taxes paid	(35,917)	(30,029)
Net cash from operating activities	122,549	84,257

14. Going concern

The Group maintains ongoing forecasts that indicate continued profitability in the 2013 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.