Hargreaves Lansdown plc

Unaudited Preliminary Results Announcement
Year ended 30 June 2007

Embargoed: for release at 0700h, 3 September 2007

Hargreaves Lansdown plc ("Hargreaves Lansdown" or the "Company") is pleased to announce today its first preliminary results since being admitted to the main market of the London Stock Exchange.

Highlights

- Revenue increased by 34% to £98.8m (2006: £73.5m)
- Underlying operating profit (*) increased by 67% to £40.7m (2006: £24.3m)
- Underlying diluted earnings per share (**) increased by 52% to 6.4p (2006: 4.2p)
- Underlying operating profit margin has increased to 41% (2006: 33%)
- Assets under administration increased by 67% to £10.2bn (***) (2006: £6.1bn)
- Average number of staff employed increased by 21% to 621 (2006: 513)
- Proportion of recurring revenue increased to 65% (2006: 61%)

(*) Operating profit before taxation and exceptional administrative expenses

(**) Based upon earnings before exceptional administrative expenses and investment gains, and the full issued share capital

(***) Includes £805 million of Hargreaves Lansdown plc shares held in Vantage

Peter Hargreaves, Chief Executive, commented:

"We are very pleased to present our first set of results as a listed company for the year ended 30 June 2007. Hargreaves Lansdown is a leading provider of investment management products and services to the private investor in the UK, and 2007 saw us consolidate this position with strong growth and excellent results.

I am mindful that since our year end we have seen huge turmoil in the world's stock markets. The market is still uncertain of the extent of the problems caused by the United States' sub-prime lending market. Although Hargreaves Lansdown has no direct exposure to this area, sentiment is likely to cause an overreaction in markets and it is impossible to know when the bottom will occur.

We have always been rewarded by continuing to support our clients in turbulent times and believe we emerge from these periods stronger and with improved market share. A high proportion of assets held in Vantage are within tax wrappers and our cash option allows clients to shelter from the market without withdrawing capital and losing potential tax benefits.

I would also draw our shareholders' attention to the fact that we do have significant businesses in areas far less affected by the market. We have a successful corporate pensions division, a leading SIPP product and a market leading annuity business. We are also seeing an increase in demand for advice from our team of Financial Practitioners.

The long-term fiscal and demographic trends remain positive for our business. We are still encouraged by the flow of ideas, the quality of our research and the number of letters we receive from our clients praising all aspects of our service. It is our company policy to put clients first, a philosophy which has been the prime reason for the firm flourishing. We approach the new year determined that we shall continue to grow the business and profits whilst at the same time hoping that we return to more benign markets, which should in time repair investor confidence."

About us:

The Hargreaves Lansdown Group (the "Group") distributes investment products and attracts high quality earnings based upon the value of investments under administration or management.

Our success can be attributed to innovative marketing, a high retention of clients, through the provision of first class service and information and a direct selling model which is cost effective, scalable and affords a high profit margin.

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Robert Bailhache
Nick Henderson

Analyst Presentation
There will be an analyst presentation on the results at 11:00am on Monday 3 September 2007 at Financial Dynamics, Holborn Gate, 26 Southampton Buildings, London WC2A 1PB. Those analysts wishing to attend are asked to contact Financial Dynamics. The presentation will also be accessible via a conference call for those unable to attend in person. To register for the conference call, please contact Financial Dynamics.

Chairman's Statement

Whilst positive market conditions have no doubt contributed to our good results this year, our marketing team has also been successful at both encouraging existing clients to entrust us with more of their wealth and attracting new clients into our Vantage, our fund supermarket and wrap platform, and discretionary management services. In particular, the growth in assets in our Vantage SIPP has been substantial and we anticipate this to be an area of continued expansion in the future.

Strong investment performance and the expansion of our team of advisers have enabled us to substantially grow funds under management in our multi-manager funds and our Portfolio Management Service (PMS) during the year. To the credit of our investment team our four multi-manager funds have performed consistently well throughout the year with all funds achieving top quartile performance within their respective peer groups over the 12 month period to the end of June 2007**.**

The success of our Corporate Solutions division was a major factor in growing revenue from third party business. This division continues to attract larger corporate clients. At the year end, there were 77 pension schemes on our books which contained a minimum of a hundred members, an increase of 43 per cent on the previous year.

On the 15th May 2007 the Group floated on the London Stock Exchange. This was a momentous milestone in the life of Hargreaves Lansdown. As predicted and hoped for, the increased profile of the Group has already started to benefit the business. We believe that the increased visibility of Hargreaves Lansdown as a public company will afford both our corporate and individual clients even greater comfort about dealing with us and entrusting us with their savings. We have enjoyed the dialogue with our new shareholders and look forward to continuing it in the future. Our local profile has improved our ability to recruit staff and improved the quality of applicants.

Mike Evans, former Chief Operating Officer of Skandia UK Limited, and Jonathan Bloomer, former Chief Executive of Prudential plc, joined the board as non-executive directors in August and September 2006 respectively. Their knowledge and experience in the financial services industry has already proved to be of great assistance to the board and I am sure will be of even greater benefit in the years ahead. Both Mike and Jonathan sit on the audit, remuneration and nomination committees with Jonathan being the senior independent director chairing those committees. We are actively seeking a new non-executive director to bring the board in line with recommended best practice.

A newly formed executive committee will be responsible for the day to day running of the various divisions within the Group and will liaise closely with the main board of directors in developing the business strategy, managing risk and ensuring that we maintain the culture and dynamism which has made Hargreaves Lansdown successful to date.

The regulatory environment that we operate in is undergoing a change towards a more principles based approach focused on ensuring that investors are treated fairly. Hargreaves Lansdown welcomes this move. Our business model and our success are built on putting our clients first and providing the highest levels of service. The regulatory environment is always changing and new regulations stemming from the EU will take effect in the months ahead. In addition, the Financial Services Authority is conducting a Retail Distribution Review looking at the way the financial services sector operates. We do not believe that any of these changes will materially affect our business model.

The demographics of the country are such that people need to save more. As a business we are ideally situated to benefit from any increase in savings and it is our intention to continue to develop Vantage and our other services to improve our offering to the private investor. Our focus will be 'more of the same' in seeking new clients with funds to invest, servicing existing clients and encouraging them to transfer more of their assets onto our platform. We will continue to market strongly in this respect but at the same time continue to keep a tight control on our overheads to ensure that our margins are at least maintained and hopefully improved. We are of course reliant on investment markets being stable in order to maintain and increase our assets under administration but we believe that by endeavouring to offer clients the best information and the best service at the best prices our business will continue to grow.

Our employees are vitally important to us. We seek to recruit and train enthusiastic, intelligent employees and incentivise them through a good remuneration structure to help grow the business. At the 30 June 2007 our staff numbers totalled 648. 2007 has been a very busy time for everyone within the Group not only dealing with the significant increases in business but also the additional work involved with the flotation. I would like to personally thank everyone for all their hard work and effort. Our success is down to them.

We look forward to facing the exciting new challenges of life as a listed company.

S P Lansdown
Chairman

Extract from Chief Executive's Review

It is with pleasure that we present our first set of results as a publicly quoted company. The Group has had a successful year's trading. This performance is reflected in both underlying operating profit before tax (and exceptional items) which increased by 67 per cent from £24.3 million to £40.7 million and turnover which increased by 34 per cent from £73.5 million to £98.8 million. The percentage of revenue which is recurring in nature (i.e. renewal commission, management fees and interest) increased from 61 per cent to 65 per cent. Operating costs were well controlled during the year and our underlying operating profit margin increased from 33 per cent to 41 per cent. Underlying diluted earnings per share have risen by 52 per cent to 6.4 pence compared with 4.2 pence for 2006.

During the year our assets under administration increased by 67 per cent from £6.1 billion to £10.2 billion. This includes £1.3 billion of assets also under our management, an increase of 86 per cent on the previous year. The growth in assets under administration and management has arisen through a combination of strong new business volumes and market growth. The most relevant index, being the FTSE All Share, increased during the period by 15 per cent. As part of the flotation of the Group, shares in Hargreaves Lansdown plc feature strongly on the Vantage platform this year, as both exceptional inflows and exceptional levels of market growth. At 30 June 2007, the value of Hargreaves Lansdown shares on the Vantage platform was £805 million.

Review

Our year started with nervousness caused by the setback in the market in the spring of 2006. Consequently we started our year concentrating on gathering assets and through the media of our newsletters, supporting clients and making suggestions.

There were a few highlights during the early part of our year such as the very successful launch of an innovative third party fund which incorporated the best ideas of several eminent fund managers. We were also pleased that the predictions that A-Day in the pensions arena would be a one trick pony were unfounded as we saw our pension volumes continue to grow strongly.

The summer months always bring about client malaise as they occupy themselves with holidays and other things conducive to the glorious summer of 2006. We were however encouraged during the first part of our financial year that investors were seeking information, responding to our advertising and exploring our website, which was completely revamped and relaunched in November 2006.

In the first six months of the year we performed well in comparison to the general market place. Confidence was boosted by buoyant demand for our own multi-manager funds, our Portfolio Management Service (PMS), Self Invested Personal Pensions (SIPPs) and some interesting investments that were launched during the period. The second half of the year started exceptionally well with a number of divisions reporting record or near record volumes.

Renewed investor confidence encouraged us to market strongly during the third quarter and we ran an extra newsletter during that period, a decision which turned out to be extremely fortuitous. Many of our competitors submitted their final ISA season offerings just as the market fell significantly in February. It enabled us to hold our final ISA offering until we could see some stability in the marketplace and it was submitted when investor confidence was improving.

Increased speculation regarding our float helped to generate interest in our services and provided a boost to our advertising. Our year closed with the prospect of marketing to many new prospective clients obtained during our April and May advertising campaign.

There has been significant growth in our assets under administration on our Vantage platform and assets under management. We were particularly pleased with how all sectors of the firm coped with the exceptional levels of business and also capitalised on the circumstances. Assets held in Vantage at the year end included £2.2 billion invested in PEPs, £2.8 billion invested in ISAs, £1.4 billion invested in SIPPs and £2.7 billion invested in our Fund and Share account. Our multi-manager funds reached £1 billion at the year end, including £0.5 billion administered through Vantage.

Group strategy

Going forward our strategy will be "more of the same" in that we will continue to provide first class services to our clients, respond to market conditions and innovate in our approach to marketing and product design. We will continue to talk to new and potential clients about their investments whatever the prevailing market conditions might be. We have not identified any new potential businesses and we are not seeking to acquire any businesses. We will continue to expand our Financial Practitioners division since we have established that many clients would like a "local" representative.

Our challenges for the year ahead are to continue improving our website where we believe the future of the financial services industry lies and further enhancing our platform through in-house development. We have boosted our marketing team which we believe to be one of the most enthusiastic and talented marketing teams in financial services. We expect SIPPs to become an ever more important part of our client offering but we are also encouraged by our Portfolio Management Service with clients seeking more assistance in managing their investment portfolios.

We have finally established where we shall be operating from in a couple of years time which should enable us to bring all our people together under one roof, something which we believe will benefit the firm immensely.

Peter K Hargreaves
Chief Executive Officer

Extract from Financial Review

Certain figures contained in this document, including financial information, have been subject to rounding adjustments. Accordingly, in certain instances the sum of the numbers in a column or a row in tables contained in this document may not conform exactly to the total figure given for that column or row.

Review of results

	2007	2006
	£'million	£'million
Revenue	**98.8**	73.5
Underlying administrative expenses	**(58.1)**	(49.2)
Operating profit before exceptional administrative expenses	**40.7**	24.3
Exceptional administrative expenses (see below)	**(29.6)**	(19.6)
Operating profit	**11.0**	4.6
Non operating income - investment revenue and other gains	**13.4**	3.0
Profit before taxation	**24.4**	7.6
Taxation	**(7.4)**	(1.6)
Profit after taxation	**17.0**	6.0

The value of total assets under administration grew by 67 per cent during the period, from £6.1 billion to £10.2 billion. This is largely made up of £9.1 billion of assets held within the Vantage service, with the remainder being assets held within the Portfolio Management Service and other nominee portfolios. We estimate that the £3.7 billion increase in Vantage assets from £5.4 billion to £9.1 billion can be attributed to £0.8 billion of Hargreaves Lansdown plc shares, £2.1 billion of other net new business, and £0.8 billion of market growth.

The value of assets managed by Hargreaves Lansdown through its own range of multi-manager funds and PMS increased by 86 per cent, to £1.3 billion, compared to £0.7 billion as at 30 June 2006. Of these assets under management, £0.5 billion were held within Vantage as at 30 June 2007, compared with £0.2 billion as at 30 June 2006.

	At 30 June 2007	At 30 June 2006
	£'billion	£'billion
Assets Under Administration AUA		
- Vantage	**9.1**	5.4
- Other	**0.2**	0.2
AUA Total	**9.3**	5.6
Assets Under Administration and Management AUM		
- Portfolio Management Service PMS	**0.8**	0.5
- Multi-manager funds excluding PMS	**0.5**	0.2
AUM Total	**1.3**	0.7
Less: Multi-manager funds included in both AUA and AUM	**(0.5)**	(0.2)
Total Assets Under Administration	**10.2**	6.1

Revenue increased by £25.3 million or 34 per cent, to £98.8 million in the year ended 30 June 2007, compared to £73.5 million for the year ended 30 June 2006. This was principally due to an increase in revenue of £23.6 million across the Vantage, Discretionary and Advisory divisions resulting from increased assets under administration and management and a full year's revenue on assets secured in the previous year. The 67 per cent growth in asset values was attributable to strong new business volumes and market growth. The FTSE All Share index increased 15 per cent during the year, from 2967.58 to 3404.14.

The Group's underlying operating profit (operating profit before taxation and exceptional items) increased by 67 per cent to £40.7 million in 2007 compared to £24.3 million for 2006. The increase resulted from revenue growth, driven by higher asset values, which did not necessitate an equivalent rise in costs. The Group's operating margin increased from 33 per cent to 41 per cent.

The Group incurred exceptional administration expenses of £29.6 million during the year, compared to £19.6 million for the year ended 30 June 2006. The majority of these costs comprised the amount by which remuneration paid to certain directors of the Company and its subsidiaries exceeded the amounts which might be payable in future years following the agreement of a new remuneration policy in March 2007. The remainder related to costs incurred in relation to the flotation of the Group on the London Stock Exchange. All of the exceptional costs for 2006 related to director's remuneration.

Hargreaves Lansdown's 2007 results have been prepared for the first time in accordance with International Financial Reporting Standards (IFRS) and the comparative figures have been restated. The introduction of IFRS has resulted in a reduction in operating profit of £0.7 million in 2007 and £0.4 million in 2006. Our cash flow has not been affected by these accounting adjustments. The most significant adjustment is the inclusion of a fair value charge in respect of share arrangements entered into after 7th November 2002 and still in existence at the date of transition to IFRS on 1 July 2005.

There were £13.4 million of investment revenue and other gains during the year. This is primarily due to the disposal of a number of its fixed asset investments during the year which resulted in net gains of £11.9 million.

The Group's reported profit before tax increased to £24.4 million, compared to £7.6 million in the previous year. The effective tax rate for the Group this year was just above 30 per cent which has resulted in a reported profit after tax for the year of £17.0 million, compared to £6.0 million for the previous year.

Revenue

Revenue by division	**Year Ended 30 June 2007 £'million**	Year Ended 30 June 2006 £'million
Vantage	**52.1**	35.2
Advisory	**11.9**	8.2
Discretionary	**7.4**	4.4
Third Party	**19.8**	17.1
Stockbroking	**5.8**	7.5
Central services	**1.7**	1.1
	98.8	73.5

The Vantage division increased its revenues by £16.9 million, from £35.2 million to £52.1 million. This resulted from strong growth in assets under administration from £5.4 billion to £9.1 billion. The revenue growth also reflects the impact of a full year's income on assets acquired during the previous year. The Vantage service allows clients to hold assets in tax efficient wrappers such as a PEP, ISA or SIPP, or alternatively in a Fund and Share Account. The highest growth in asset values was evident in the SIPP, with an increase of 180 per cent from £0.5 billion to £1.4 billion. The Fund and Share Account experienced high net inflows and market growth, including the exceptional impact of Hargreaves Lansdown plc shares, with asset values increasing by 125 per cent from £1.2 billion to £2.7 billion. The strong growth experienced in PEP / ISA business in 2006 continued in 2007 with assets increasing by 36 per cent to £5 billion.

The Advisory business increased its revenues by £3.7 million, from £8.2 million to £11.9 million. In addition to initial and renewal commission earned on the distribution of third party investments, this division earns initial charges and annual management fees on assets introduced into the Group's Portfolio Management Service (PMS). The value of assets managed in PMS increased by 59 per cent from £493 million to £784 million. This growth can be attributed to high inflows, facilitated by an expanded team of advisers, and market growth. The average number of advisers employed during the year increased by 22 per cent, from 47 in 2006 to 69 in 2007.

The value of Hargreaves Lansdown's multi-manager funds increased from £0.6 billion at 30 June 2006 to £1 billion, a 67 per cent uplift. As at 30 June 2007, 52 per cent of these were held within PMS, 46 per cent were held within Vantage and the remainder were held directly. The Discretionary division earns renewal commission on underlying investments held in PMS, including the value of PMS investments in the Group's multi-manager funds. The multi-manager funds charge one per cent annually on the value of funds under management, which is recognised in the Discretionary division net of the renewal commission paid to PMS and Vantage.

Hargreaves Lansdown's Third Party business comprises those investment products which are sold by the Group but not held in Vantage or other Group nominee accounts. These include corporate pensions, personal pensions, annuities, third party investment products, venture capital trusts and life assurance. The divisions handling Third Party business increased revenues overall by 16 per cent, from £17.1 million to £19.8 million. The increase can be attributed to growth in corporate pensions and personal annuities and term assurance. The growth in these areas was offset by an expected decline of 14 per cent in the revenue from Third Party investments. This revenue will continue to decline as more clients choose to transfer their investments onto the Vantage platform.

The Stockbroking division experienced a decline in revenue of 23 per cent, from £7.5 million to £5.8 million. This can largely be attributed to the cessation of a dealing service previously operated for a third party. This contract was terminated in November 2006 to enable this division to focus on servicing the higher margin, core Vantage business.

Underlying administrative expenses

	Year Ended 30 June 2007 £'million	Year Ended 30 June 2006 £'million
Staff costs	**34.5**	28.1
Commission payable	**9.3**	7.9
Marketing costs	**5.8**	4.7
Depreciation, amortisation and financial costs	**0.8**	1.1
Other costs	**7.7**	7.4
	58.1	49.2

Underlying administrative expenses increased by 18 per cent, from £49.2 million to £58.1 million. The Group's largest cost remains staff costs, which represents 59 per cent of administrative expenses. These costs increased by 23 per cent in line with a 21 per cent increase in average staff numbers.

Commission payable includes the share of the renewal commission which the Group receives on funds held in Vantage which is rebated back to clients as a cash loyalty bonus (except with respect to those funds held in the SIPP). Commission payable increased by 18 per cent, from £7.9 million to £9.3 million. This was attributable to the growth in assets under administration in Vantage, offset by a drop in commission payable under a contract to provide dealing services for a third party which was terminated in November 2006.

The Group increased its marketing spend by 23 per cent, from £4.7 million to £5.8 million. This includes the costs of sending information to existing and potential clients, including the Group's flagship publication, the Investment Times. These costs also include an element of media advertising, postage, stationary and the cost of corresponding with clients. The increase can be attributed to greater media advertising to respond to a fertile market and the high profile of the Group during its flotation.

As the majority of our platform development is undertaken in-house, the capital expenditure of the business remains fairly low. The charge for depreciation, amortisation and financial costs for the year were not significant, decreasing from £1.1 million to £0.8 million.

Other administrative costs and overheads include items such as building and utility costs, dealing costs, irrecoverable VAT, compliance costs, insurance, professional services, computer maintenance and external administration charges. These were controlled during the period, increasing by just 4 per cent from £7.4 million to £7.7 million.

Non operating income

Investment revenues fell from £2.9 million to £1.4 million and were predominantly made up of interest receivable on the Group's cash balances. The drop can be attributed to a special dividend received in 2006 from the London Stock Exchange.

The Group disposed of the majority of its fixed asset investment during the year, including its holdings in EMX Company Limited and the London Stock Exchange plc. This resulted in net gains in 2007 of £11.9 million, with none arising in 2006.

Taxation

Taxation increased from £1.6 million to £7.4 million. The higher charge can be attributed to an increase in pre-tax profits and an increase in the effective tax rate from 21 per cent to just above 30 per cent. The reduced rate in 2006 was largely the result of a dividend receipt of £1.9 million on which no tax was payable and deductions in relation to share option benefits. In the year ended 30 June 2007, there was no such dividend and deductions in relation to share option benefits were offset by float costs which were not allowable for tax purposes.

Earnings per share (EPS)

The basic diluted EPS increased from 1.3 pence to 3.6 pence. However the directors consider the most relevant EPS calculation to be the underlying diluted earnings per share. This is calculated as the earnings for the year, adjusted to exclude the net effect of exceptional administration expenses and investment gains, divided by the total number of shares in issue, including those held by the Employee Benefit Trust (EBT). Underlying diluted EPS increased by 52 per cent, from 4.2 pence to 6.4 pence. As at 30 June 2007, the EBT held sufficient shares to satisfy all outstanding share options granted under the Employee Share Schemes.

Dividend

On 26 April 2007 a dividend of 3.0 pence per share was proposed and was paid on 21 May 2007 to shareholders on the register as at 1 May 2007. This was a 66 per cent increase on total dividend payments of 1.81 pence made in 2006. As previously advised prior to the flotation, there will be no final dividend in respect of the financial year ended 30 June 2007. An arrangement exists under which the Hargreaves Lansdown Employee Benefit Trust (the "EBT") has agreed to waive all dividends.

Capital expenditure and cash flow

Capital expenditure remained relatively low, increasing from £0.8 million to £1.5 million.

The Group was highly cash generative during the year with the significant outgoings from underlying profits being exceptional director's remuneration and dividends. These were offset to some extent by the proceeds from the disposal of a high proportion of the Group's investments and the sale of Company shares by the EBT. The Group's own cash balances increased from £9.4 million to £32.9 million during the year. This includes £12.4 million of cash held within the EBT.

Net assets, capital requirement and treasury policy

Group net assets increased from £17.5 million to £44.5 million. The Group has four subsidiary companies which are authorised and regulated by the Financial Services Authority. These firms maintain capital resources at a level which satisfies both their regulatory capital requirements as well as their working capital requirements. As at 30 June 2007, the aggregated regulatory capital requirement across the four regulated subsidiary companies was approximately £9 million compared to capital resources of approximately £27 million, which resulted in a surplus of approximately £18 million.

The Group has no borrowings and deposits its liquid funds with selected financial institutions which maintain a long term credit rating of AA- or better. The Group actively maintains cash balances on short term deposit to ensure that it has sufficient available 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.

Martin Mulligan
Group Finance Director

Consolidated Income Statement

	Note	Year ended 30 June 2007 £'000	Year ended 30 June 2006 £'000
Revenue	2	**98,769**	73,460
Administrative expenses		**(58,098)**	(49,190)
Exceptional administrative expenses	4	**(29,628)**	(19,627)
Total administrative expenses		**(87,726)**	(68,817)
Operating profit		**11,043**	4,643
Analysed as:			
Operating profit before exceptional administrative expenses		**40,671**	24,270
Exceptional administrative expenses	4	**(29,628)**	(19,627)
Operating profit		**11,043**	4,643
Investment revenue	5	**1,430**	2,919
Other gains and losses	6	**11,917**	35
Profit before tax		**24,390**	7,597
Tax	7	**(7,435)**	(1,584)
Profit for the year		**16,955**	6,013
Dividend per share (pence)	8		
Interim dividend		**3.00**	0.36
Special interim dividend		**-**	1.09
Final dividend		**-**	0.36
Total dividend per share		**3.00**	1.81
Earnings per share			
Basic earnings per share * (pence)	9	**3.6**	1.4
Diluted earnings per share * (pence)	9	**3.6**	1.3

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

** The directors consider that the underlying earnings per share figures as shown in note 9 represents a more consistent measure of underlying performance as this measure excludes the impact of exceptional items.*

Consolidated Balance Sheet

	Note	**At 30 June 2007**	At 30 June 2006
		£'000	£'000
Non-current assets			
Goodwill		**1,333**	1,333
Other intangible assets		**81**	97
Property, plant and equipment		**2,249**	1,719
Deferred tax assets	12	**4,978**	820
		8,641	3,969
Current assets			
Trade and other receivables	11	**51,533**	48,075
Cash and cash equivalents	11	**48,092**	13,745
Investments	10	**1,169**	13,352
		100,794	75,172
Total assets		**109,435**	79,141
Current liabilities			
Trade and other payables	13	**63,976**	57,610
Current tax liabilities		**154**	-
		64,130	57,610
Net current assets		**36,664**	17,562
Non-current liabilities			
Deferred tax liabilities	12	**-**	2,882
Trade and other payables	13	**281**	665
Provisions		**529**	515
		810	4,062
Total liabilities		**64,940**	61,672
Net assets		**44,495**	17,469
Equity			
Share capital	14	**1,897**	172
Share premium account	15	**8**	1,733
Investment revaluation reserve	16	**-**	7,149
Capital redemption reserve		**12**	12
Shares held by Employee Benefit Trust reserve	17	**(7,552)**	(19,809)
EBT reserve	18	**12,030**	(63)
Share option reserve	19	**7,082**	914
Retained earnings	20	**31,018**	27,361
Total equity, attributable to equity shareholders of the parent		**44,495**	17,469

These financial statements are unaudited.

Consolidated Statement of Cash Flows

	Note	**Year ended 30 June 2007**	Year ended 30 June 2006
		£'000	£'000
Net cash from operating activities, after tax	21	**7,741**	6,776
Investing activities			
Interest received		**1,228**	993
Dividends received from investments		**202**	1,926
Proceeds on disposal of available-for-sale investments		**14,281**	-
Purchases of property, plant and equipment		**(1,437)**	(830)
Purchase of intangible fixed assets		**(53)**	(17)
Acquisition of investments		**(212)**	(69)
Purchases of own shares		**-**	(19,667)
Proceeds on sale of own shares		**25,645**	264
Proceeds on sale of associated undertaking		**-**	85
Net cash from/ (used in) investing activities		**39,654**	(17,315)
Financing activities			
Receipts from repayment of loan		**250**	-
Dividends paid		**(13,298)**	(7,863)
Net cash used in financing activities		**(13,048)**	(7,863)
Net increase/(decrease) in cash and cash equivalents		**34,347**	(18,402)
Cash and cash equivalents at beginning of year		**13,745**	32,147
Cash and cash equivalents at end of year		**48,092**	13,745

Consolidated Statement of Recognised Income and Expense

	Note	**Year ended 30 June 2007**	Year ended 30 June 2006
		£'000	£'000
Profit for the financial year		**16,955**	6,013
Revaluation of available-for-sale investments, net of tax	16	**1,202**	2,886
Gain on disposal of available for sale investments transferred to income statement, net of tax	16	**(8,351)**	-
Gain on sale of shares by employee benefit trust	18	**12,093**	(63)
Net income recognised directly in equity		**4,944**	2,823
Total recognised income and expense for the financial year		**21,899**	8,836

Notes to the Financial Statements

1. General information

On 18 May 2007 the Company was admitted to the Official List of the Financial Services Authority and to unconditional trading on the London Stock Exchange plc's main market for listed securities.

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 240 of the Companies Act 1985. The disclosures made meet the requirements of the Listing Rules. The financial statements are extracted from the 2007 Group financial statements which have yet to be signed and have not yet been delivered to the Registrar of Companies.

The financial information included in this preliminary announcement has been computed in accordance with EU endorsed International Financial Reporting Standards (IFRS). Previously the Group reported its results using UK GAAP, and the impact of the transition to IFRS is shown in note 22. The principal accounting policies will be set out in the Group's 2007 statutory accounts.

The comparative figures for the financial year ended 30 June 2006, which are based on the statutory accounts for that year, have been adjusted for the effects of IFRS and those adjusted figures are unaudited. The report of the auditors on the financial statements for the year ended 30 June 2006 which were prepared in accordance with UK GAAP was unqualified and did not contain a statement under section 237 (2) or (3) of the Companies Act 1985. The financial statements for the financial year ended 30 June 2006 have been delivered to Companies House.

Basis of Preparation

The consolidated financial statements of Hargreaves Lansdown plc have, for the first time, been prepared in accordance with International Financial Reporting Standards adopted by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB (together "IFRS") as endorsed by the European Union.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

Effective for the Group for the financial year beginning 1 July 2007:
Amendment to IAS 1 'Presentation of Financial Statements – Capital Disclosures'
IFRS 7 'Financial Instruments: Disclosure'
IFRIC 8 'Scope of IFRS 2'
IFRIC 9 'Re-assessment of embedded derivatives'
IFRIC 11 'IFRS 2 – Group and Treasury Share Transactions'

Effective for the Group for future financial years:
Amendment to IAS 23 'Borrowing Costs'
IFRS 8 'Operating Segments'
IFRIC 12 'Service Concession Arrangements'

The Group has considered the above new standards, interpretations and amendments to published standards that are not yet effective and concluded that they are either not relevant to the Group or that they would not have a significant impact on the Group's financial statements, apart from additional disclosures. The implementation of IFRIC 11 affects the accounting treatment of arrangements where a parent company grants rights to its equity instruments to employees in a subsidiary company and does not effect the overall position of the Group but will require that the transaction is treated as a capital contribution by the parent company. It is effective for accounting periods commencing on or after 1 March 2007.

The transitional disclosures required by IFRS 1 concerning the transition from UK Generally Accepted Accounting Principles ("UK GAAP") to IFRSs are set out in note 22.

The date of transition to IFRS for the Group and the Company was 1 July 2005.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments.

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 2007	Year ended 30 June 2006
Revenue from services:	**£'000**	**£'000**
Fees and commission income	87,509	66,132
Interest and similar income	8,832	5,063
Subscriptions and sundry charges	2,428	2,265
Total operating income	98,769	73,460

3. Business and geographical segments

A business segment is a group of assets and operations engaged in providing services that are subject to risks and returns that are different from those of other business segments. The Group is currently organised into different operating divisions, however the nature of the services provided, the regulatory environment, the customer base and distribution channels for each division are the same, so that for the purposes of *IAS14 Segment Reporting*, the consolidated entity operates in one business segment. The principal activity of the Group is the provision of investment management services. As the Group only operates in one business segment, no additional business segmental analysis has been shown.

All business activities are located within the UK and therefore the Group operates in a single geographical segment.

4. Exceptional Items

	Year ended 30 June 2007	Year ended 30 June 2006
Exceptional administrative expenses comprise:	**£'000**	**£'000**
- Additional directors' remuneration	27,016	19,627
- Flotation costs	2,612	-

Exceptional items are those significant items that fall within the activities of the Group which are separately disclosed by virtue of their size or incidence to enable a full understanding of the Group's financial performance.

Additional directors' remuneration

On 5 April 2007, bonuses totalling £23.95 million (total cost £27,016,000 including national insurance) were awarded to certain executive directors of the Company and its subsidiaries.

Flotation costs

Costs relating to the Company's Admission to the London Stock Exchange comprise legal and professional fees of £2,612,000.

5. Investment revenue

	Year ended 30 June 2007	Year ended 30 June 2006
	£'000	£'000
Interest on bank deposits	1,228	993
Dividends from equity investment	202	1,926
	1,430	2,919

6. Other gains and losses

	Year ended 30 June 2007	Year ended 30 June 2006
	£'000	£'000
Profit on disposal of associated undertaking	-	35
Gain on disposal of investments	11,917	-
	11,917	35

7. Tax

	Year ended 30 June 2007	Year ended 30 June 2006
	£'000	£'000
Current tax	8,241	2,385
Deferred tax (note 12)	(806)	(801)
	7,435	1,584

Corporation tax is calculated at 30% of the estimated assessable profit for the years.

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

	£'000	£'000
Deferred tax relating to share based payments (note 19)	(3,352)	(44)
Deferred tax on revaluation of the Group's available for sale investments (note 16)	684	1,218
Current tax relief on exercise of share options (note 19)	(2,308)	-
Current tax on gain on disposal of shares held by EBT (note 18)	1,293	-
	(3,683)	1,174

7. Tax continued

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 (currently 30%, 28% from 1 April 2008) in the medium term. During the year ended 30 June 2007 the effective tax rate has been just above 30% primarily due to the disallowable flotation costs. 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 2007.

Factors affecting future tax charge

A number of changes to the UK tax system were announced in the March 2007 Budget Statement and are expected to be enacted in the 2007 and 2008 Finance Acts. The changes relating to the reduction in corporation tax from 30% to 28% has been substantively enacted at the balance sheet date and, therefore, is included in these financial statements.

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

	Year ended 30 June 2007	Year ended 30 June 2006
	£'000	£'000
Profit before tax from continuing operations	24,390	7,597
Tax	7,317	2,279
- at the UK corporation tax rate of	30%	30%
Disallowed/(non-taxable) items	(672)	(206)
Disallowed flotation costs	784	-
Effect of adjustments relating to prior years	110	74
Effect of small company rate and rate applicable to trusts	2	(10)
Surplus trading losses of subsidiary	-	26
Impact of change in tax rate	(61)	-
Dividend income not subject to tax	(45)	(579)
Tax expense for the year	7,435	1,584
Effective tax rate	30%	21%

8. Dividends

	Year ended 30 June 2007	Year ended 30 June 2006
Amounts recognised as distributions to equity holders in the period:	£'000	£'000
First interim dividend of 3.0p (2006: 0.36p) per share	13,298	1,560
Special interim dividend of 1.09p per share	-	4,727
Final dividend per share of £nil (2006: 0.36p)	-	1,576
	13,298	7,863

Dividend per share figures are restated to reflect the share restructuring on 10 April 2007 described in note 14.

On 26 April 2007 an interim dividend of 3.0 pence per share was proposed and was paid on 21 May 2007 to shareholders on the register as at 1 May 2007. No final dividend is proposed in respect of the year ended 30 June 2007, as advised by the directors prior to flotation.

8. Dividends continued

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

	Year ended 30 June 2007	Year ended 30 June 2006
Number of shares held by the Hargreaves Lansdown Employee Benefit Trust	14,038,685	40,986,825
Representing % of called-up share capital	2.96%	8.64%

9. 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.

Underlying basic earnings per share and underlying 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 exceptional items and investment gains. The directors consider that the underlying earnings per share represent a more consistent measure of underlying performance.

The weighted average number of ordinary shares used for the calculation of earnings per share has been adjusted to show the impact of the subdivision of each ordinary share of 10 pence into 25 ordinary shares of 0.4 pence and a 10 for 1 bonus issue which took place on 10 April 2007 as described in note 14.

The calculation of the basic and diluted earnings per share is based on the following data:

	Year ended 30 June 2007	Year ended 30 June 2006
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	16,955	6,013
Exceptional administrative expenses	29,628	19,627
Investment gains	(11,917)	(35)
Tax on exceptional administrative expenses and investment gains	(4,539)	(5,888)
Earnings for the purposes of underlying basic and underlying diluted earnings per share	30,127	19,717
Number of shares	**Number**	**Number**
Weighted average number of ordinary shares for the purposes of diluted earnings per share, being total issued share capital	474,318,325	474,318,325
Shares held by HL EBT which have not vested unconditionally with employees	9,721,460	34,111,825
Weighted average number of ordinary shares for the purposes of basic earnings per share	464,596,865	440,206,500
	Pence	**Pence**
Underlying basic earnings per share	6.5	4.5
Underlying diluted earnings per share	6.4	4.2

10. Investments

	Year ended 30 June 2007	Year ended 30 June 2006
	£'000	£'000
At beginning of year	13,352	9,243
Revaluation surplus transfer to equity (note 16)	1,886	4,104
Net increase in the value of short term trading investments held at fair value through profit and loss	212	68
Elimination of subsidiary on consolidation	-	(13)
Disposals	(14,281)	(50)
At end of year	1,169	13,352

Current asset investments include the following:

	At 30 June 2007	At 30 June 2006
	£'000	£'000
UK listed securities valued at quoted market price	428	11,248
Unlisted securities valued at cost	741	2,104
	1,169	13,352

£428,000 (2006: £215,000) of investments are classified as held at fair value through profit and loss and £741,000 (2006: £13,137,000) 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 note 16, 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, with a fair value adjustment recognised upon disposal of the investment.

11. Other financial assets

	At 30 June 2007	At 30 June 2006
Trade and other receivables	£'000	£'000
Trade receivables	45,153	39,693
Other receivables	368	792
Corporation tax debtor	-	1,914
Prepayments	6,012	5,676
	51,533	48,075

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 £36.3 million (2006: £33.7 million) of counterparty balances.

11. Other financial assets continued

Cash and cash equivalents

	At 30 June 2007	At 30 June 2006
	£'000	£'000
Cash and cash equivalents	48,092	13,745
Comprising:		
Restricted cash - client settlement account balances	15,163	4,393
Restricted cash - balances held by EBT	12,370	157
Group cash and cash equivalent balances	20,559	9,195

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.

12. Deferred tax

Deferred tax assets have not been offset with deferred tax liabilities due to the expectation that the balances will reverse in different accounting years, hence the deferred tax provision is reported separately as shown below:

	At 30 June 2007	At 30 June 2006
	£'000	£'000
Deferred tax liabilities	-	(2,882)
Deferred tax assets	4,978	820
Net deferred tax asset/(liability)	4,978	(2,062)

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

	Accelerated tax depreciation	Revaluation of available for sale investments	Share based payments	Other deductible temporary differences	Total
	£'000	£'000	£'000	£'000	£'000
At 30 June 2005	(155)	1,664	(198)	378	1,689
Charge/(credit) to income	(4)	-	(197)	(600)	(801)
Charge/(credit) to equity	-	1,218	(44)	-	1,174
As 30 June 2006	(159)	2,882	(439)	(222)	2,062
Recycled from equity to income	-	(3,566)	-	-	(3,566)
Charge/(credit) to income	(351)	-	(330)	(125)	(806)
Charge/(credit) to equity	-	684	(3,352)	-	(2,668)
As 30 June 2007	(510)	-	(4,121)	(347)	(4,978)

13. Other financial liabilities

Trade and other payables	At 30 June 2007 £'000	At 30 June 2006 £'000
Current payables		
Trade payables	51,423	37,321
Social security and other taxes	3,408	3,632
Other payables	7,718	14,431
Accruals and deferred income	1,427	2,226
	63,976	57,610
Non-current payables - Other payables	281	665

In accordance with market practice, certain balances with clients, Stock Exchange member firms and other counterparties are included in creditors. Trade payables include £50.4 million (2006: £36.2 million) of counterparty balances. Accruals and other payables principally comprise amounts outstanding for trade purchases and ongoing costs.

14. Share capital

	At 30 June 2007 £'000	At 30 June 2006 £'000
Authorised:		
525,000,000 ordinary shares of 0.4p each (2006: 2,500,000 ordinary shares of 10p each)	2,100	250
Issued and fully paid:		
Ordinary shares of 0.4p (2006: 10p) each	1,897	172
	Shares	**Shares**
Issued and fully paid:		
Number of ordinary shares of 0.4p (2006: 10p) each	474,318,625	1,724,795

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

On 10 April 2007 new articles of association of the Company were adopted replacing the articles adopted on 30 January 2007. On the same date the authorised share capital of the Company was increased from £250,000 to £2,100,000 by the creation of 462,500,000 additional ordinary shares of 0.4 pence each, each ranking pari passu in all respects with the existing ordinary shares of 0.4 pence each in the capital of the Company.

On 10 April 2007 a capitalisation issue of 10 shares for every 1 share took place following a sub-division of the ordinary shares of 10 pence each into 25 ordinary shares of 0.4 pence each. £1,724,795 of the amount standing to the credit of the share premium account of the Company was applied in paying up in full the new ordinary shares of 0.4 pence each allotted at par. The new ordinary shares rank in all respects pari passu with the existing issued ordinary shares of 0.4 pence each in the capital of the Company. Following the capitalisation issue each shareholder holds 275 shares for every one previously held and total issued share capital comprises 474,318,625 ordinary shares of 0.4 pence each.

15. Share premium account

	Year ended 30 June 2007	Year ended 30 June 2006
	£'000	£'000
Balance at beginning of year	1,733	1,733
Utilisation of share premium account (note 14)	(1,725)	-
Balance at end of year	8	1,733

This reserve represents the difference between the issue price and the nominal value of shares issued.

16. Investment revaluation reserve

	Year ended 30 June 2007	Year ended 30 June 2006
	£'000	£'000
Balance at beginning of year	7,149	4,263
Increase in fair value of available-for-sale investments	1,886	4,104
Deferred tax effect of increase in fair value of available-for-sale investments	(684)	(1,218)
Disposal of available-for-sale investments	(11,917)	-
Tax on disposal of available-for-sale investments	3,566	-
Balance at end of year	-	7,149

The investment revaluation reserve represents the increase in fair value of available for sale investments held by the Group, net of deferred tax.

17. Shares held by Employee Benefit Trust reserve

	Year ended 30 June 2007	Year ended 30 June 2006
	£'000	£'000
Balance at beginning of year	(19,809)	(469)
Shares acquired in the year	-	(19,667)
Shares sold	12,257	327
Balance at end of year	(7,552)	(19,809)

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 options schemes.

18. EBT reserve

	Year ended 30 June 2007	Year ended 30 June 2006
	£'000	£'000
Balance at beginning of year	(63)	-
Gain/(loss) on sale of shares by EBT	13,386	(63)
Tax on sale of shares by EBT	(1,293)	-
Balance at end of year	12,030	(63)

The EBT reserve represents the cumulative gain/(loss) 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.

19. Share option reserve

	Year ended 30 June 2007	Year ended 30 June 2006
	£'000	£'000
Balance at beginning of year	914	209
Share based payments expense	508	661
Deferred tax effect of share based payments	3,352	44
Tax relief on exercise of share options	2,308	-
Balance at end of year	7,082	914

This reserve represents the effect of share based payments and associated deferred tax.

20. Retained earnings

	Year ended 30 June 2007	Year ended 30 June 2006
	£'000	£'000
Balance at beginning of year	27,361	29,211
Dividends paid	(13,298)	(7,863)
Net profit for the period	16,955	6,013
Balance at end of year	31,018	27,361

21. Notes to the consolidated cash flow statement

	Year ended 30 June 2007	Year ended 30 June 2006
	£'000	**£'000**
Profit for the year after tax	16,955	6,013
Adjustments for:		
Investment revenues	(1,430)	(2,919)
Other gains and losses	(11,917)	(35)
Income tax expense	7,435	1,584
Loss on disposal of tangible fixed assets	10	-
Depreciation of plant and equipment	897	615
Depreciation of intangible assets	69	59
Impairment of goodwill	-	13
Share-based payment expense	508	661
Increase in provisions	19	227
Operating cash flows before movements in working capital	12,546	6,218
Increase in receivables	(5,625)	(12,904)
Increase in payables	5,979	20,284
Cash generated by operations	12,900	13,598
Income taxes paid	(5,159)	(6,822)
Net cash from operating activities	7,741	6,776

22. Adoption of International Financial Reporting Standards (IFRSs)

In adopting IFRS for the first time within the 2007 statutory accounts for the year ended 30 June 2007, the Group will comply with IFRS 1 'First Time Adoption of IFRS', which states that a company should use the same accounting policies in its opening IFRS balance sheet and throughout all periods presented in its first IFRS financial statements.

An explanation of how the transition from previous GAAP to IFRS has affected the Group's financial position, financial performance and cash flows is set out below.

Explanation of transition to IFRSs for the Group

The year ended 30 June 2007 is the first period for which the Group is required to present its financial statements under International Financial Reporting Standards (IFRS). The date of transition to IFRS was 1 July 2005 being the first day of the 2006 financial year shown in the comparative information.

IFRS 1 contains a number of exemptions which companies are permitted to apply. The Group has elected:

- to present comparative information in accordance with IAS 32 Financial Instruments: Disclosure and Presentation and IAS 39 Financial Instruments: Recognition and Measurement. This means that certain investments previously carried at historic cost under UK GAAP are now carried in the balance sheet at fair value;
- not to restate business combinations arising prior to the IFRS transition date of 1 July 2005. The carrying amount of goodwill in the UK GAAP balance sheet as at 30 June 2005 has accordingly been brought forward without adjustment;
- to apply IFRS 2 (Share based payments) to all grants of equity instruments after 7 November 2002 that had not vested as of 1 July 2005. Share options granted prior to 7 November 2002 which have vested by the transition date do not have to be restated under IFRS.

22. Adoption of International Financial Reporting Standards (IFRSs) continued

In accordance with IFRS 1 “First time adoption of International Financial Reporting Standards” the following statements for the Group are presented:

- Reconciliation of the income statement under UK GAAP to that reported under IFRS for the year ended 30 June 2006.
- Reconciliations of the balance sheet and total equity reported under UK GAAP to that reported under IFRS at 1 July 2005 and 30 June 2006.

There have been no material adjustments to the cash flow statement for the period ended 30 June 2006 resulting from the transition to IFRS. However, the presentation of the consolidated cash flow statement has changed, whereby cash flows are classified as operating, investing or financing.

The key differences between the financial information presented under UK GAAP and IFRS are:

- Accounting for income tax is different under IFRS resulting in the recognition of a greater number of deferred tax assets and liabilities.
- Certain assets are reclassified to non-current assets under IFRS and certain tangible fixed assets have been reclassified to intangible fixed assets under IFRS.
- Goodwill is not amortised but maintained at its historic value subject to annual impairment reviews.
- Recognition of an expense in respect of share based payments. The treatment under UK GAAP (FRS 20) is identical to IFRS, however the Group had not previously been required to apply FRS20 and so the full impact has been shown as part of the IFRS transition adjustments.
- Recognition of an expense in respect of accrued staff holiday pay under IAS19.
- Revaluation of certain investments classified as available-for-sale, and a corresponding increase in the investment revaluation reserve at 1 July 2005. This accounting treatment was adopted by the Group under UK GAAP during the year ended 30 June 2006, and accordingly no IFRS adjustments were required to the carrying values at 30 June 2006.

Reconciliation of the Group profit and loss account under UK GAAP to the Group income statement under IFRS for the year ended 30 June 2006

Continuing operations	UK GAAP **£’000**	IFRS Reclass-ifications (i) **£’000**	Income taxes IAS 12 (ii) **£’000**	Employee benefits IAS 19 (iii) **£’000**	Share based payments IFRS 2 (iv) **£’000**	Goodwill IFRS 3 (v) **£’000**	IFRS **£’000**
Revenue	73,460	-	-	-	-	-	73,460
Admin. expenses	(67,720)	19,191	-	(67)	(661)	67	(49,190)
Exceptional admin. expenses	-	(19,627)	-	-	-	-	(19,627)
Total admin. expenses	(67,720)	(436)	-	(67)	(661)	67	(68,817)
Operating profit	5,740	(436)	-	(67)	(661)	67	4,643
Investment revenue	2,919	-	-	-	-	-	2,919
Other gains and losses	35	-	-	-	-	-	35
Finance costs	(436)	436	-	-	-	-	-
Profit before tax	8,258	-	-	(67)	(661)	67	7,597
Tax	(1,802)	-	218	-	-	-	(1,584)
Profit for the period	6,456	-	218	(67)	(661)	67	6,013

22. Adoption of International Financial Reporting Standards (IFRSs) continued

Reconciliation of the Group balance sheet and total equity under UK GAAP to IFRS at 30 June 2006.

	UK GAAP £'000	IFRS Reclass-ifications (i) £'000	Income taxes IAS 12 (ii) £'000	Employee benefits IAS 19 (iii) £'000	Share based payments IFRS 2 (iv) £'000	Goodwill IFRS 3 (v) £'000	IFRS £'000
Non-current assets							
Goodwill	1,133	-	-	-	-	200	1,333
Other intangible assets	-	97	-	-	-	-	97
Property, plant and equipment	1,816	(97)	-	-	-	-	1,719
Investments	2,105	(2,105)	-	-	-	-	-
Deferred tax assets	-	-	820	-	-	-	820
	5,054	(2,105)	820	-	-	200	3,969
Current assets							
Trade and other receivables	48,379	(304)	-	-	-	-	48,075
Cash and cash equivalents	13,745	-	-	-	-	-	13,745
Investments	11,247	2,105	-	-	-	-	13,352
	73,371	1,801	-	-	-	-	75,172
Total assets	78,425	(304)	820	-	-	200	79,141
Current liabilities							
Trade and other payables	57,372	-	-	238	-	-	57,610
	57,372	-	-	238	-	-	57,610
Net current assets	15,999	1,801	-	(238)	-	-	17,562
Non-current liabilities							
Deferred tax liabilities	-	(308)	3,190	-	-	-	2,882
Trade and other payables	665	-	-	-	-	-	665
Provisions	511	4	-	-	-	-	515
	1,176	(304)	3,190	-	-	-	4,062
Total liabilities	58,548	(304)	3,190	238	-	-	61,672
Net assets	19,877	-	(2,370)	(238)	-	200	17,469
Equity							
Share capital	172	-	-	-	-	-	172
Share premium account	1,733	-	-	-	-	-	1,733
Revaluation reserve	10,031	-	(2,882)	-	-	-	7,149
Capital red. reserve	12	-	-	-	-	-	12
EBT Reserve	(63)	-	-	-	-	-	(63)
Shares held by EBT res.	(19,809)	-	-	-	-	-	(19,809)
Share option reserve	-	-	239	-	675	-	914
Retained earnings	27,801	-	273	(238)	(675)	200	27,361
Total equity	19,877	-	(2,370)	(238)	-	200	17,469

22. Adoption of International Financial Reporting Standards (IFRSs) continued

Reconciliation of the Group balance sheet and total equity under UK GAAP to IFRS at 1 July 2005

	UK GAAP **£'000**	IFRS reclassifi-cations (i) **£'000**	Income taxes IAS 12 (ii) **£'000**	Available for sale invest-ments (vi) **£'000**	Share based payments IFRS 2 (iv) **£'000**	Employee benefits IAS 19 (iii) **£'000**	Goodwill IFRS 3 (v) **£'000**	IFRS **£'000**
Non-current assets								
Goodwill	1,200	-	-	-	-	-	133	1,333
Other intangible assets	-	140	-	-	-	-	-	140
Property, plant and equipment	1,644	(140)	-	-	-	-	-	1,504
Investments	3,168	(9,095)	-	5,927	-	-	-	-
Deferred tax assets	-	-	353	-	-	-	-	353
	6,012	(9,095)	353	5,927	-	-	133	3,330
Current assets								
Trade and other receivables	33,254	-	-	-	-	-	-	33,254
Cash and cash equivalents	32,147	-	-	-	-	-	-	32,147
Investments	148	9,095	-	-	-	-	-	9,243
	65,549	9,095	-	-	-	-	-	74,644
Total assets	71,561	-	353	5,927	-	-	133	77,974
Current liabilities								
Trade and other payables	37,309	-	-	-	-	171	-	37,480
Current tax liabilities	2,524	-	-	-	-	-	-	2,524
	39,833	-	-	-	-	171	-	40,004
Net current assets	25,716	9,095	-	-	-	(171)	-	34,640
Non-current liabilities								
Deferred tax liabilities	275	-	1,767	-	-	-	-	2,042
Trade and other payables	509	-	-	-	-	-	-	509
Provisions	288	-	-	-	-	-	-	288
	1,072	-	1,767	-	-	-		2,839
Total liabilities	40,905	-	1,767	-	-	171	-	42,843
Net assets	30,656	-	(1,414)	5,927	-	(171)	133	35,131
Equity								
Share capital	172	-	-	-	-	-	-	172
Share premium account	1,733	-	-	-	-	-	-	1,733
Revaluation reserve	-	-	(1,664)	5,927	-	-	-	4,263
Capital red. reserve	12	-	-	-	-	-	-	12
EBT Reserve	-	-	-	-	-	-	-	-
Shares held by EBT res.	(469)	-	-	-	-	-	-	(469)
Share option reserve	-	-	195	-	14	-	-	209
Retained earnings	29,208	-	55	-	(14)	(171)	133	29,211
Total equity	30,656	-	(1,414)	5,927	-	(171)	133	35,131

22. Adoption of International Financial Reporting Standards (IFRSs) continued

(i) IFRS reclassifications: IFRS has different presentation and disclosure requirements to UK GAAP and conversion to IFRS has involved a number of changes to the presentation of items within the financial statements although these changes have no net change to reported profits. The main reclassifications under IFRS are as follows:

a) Under UK GAAP, purchased software was previously classified as a tangible fixed asset whereas under IFRS these assets are now classified as intangible (2006: £97,000, 2005: £140,000 net book value).
b) Available for sale investments have been reported as current assets whereas previously they were shown as fixed assets (2006: £2,105,000; 2005: £9,095,000).
c) Certain administrative expenses have been classified as exceptional. Details are shown in note 4.

(ii) Income taxes: Under IAS 12, deferred tax is provided on all IFRS temporary differences which will reverse. The deferred tax adjustments primarily relate to a tax liability arising on the revaluation gains of available for sale investments (30 June 2006: £2,882,000; 30 June 2005: £1,664,000) and a deferred tax asset arising from tax relief on share option gains (30 June 2006: £439,000; 30 June 2005: £198,000)

(iii) Employee benefits: Holiday pay - IFRS requires short-term accumulating benefits such as holiday pay entitlements to be accrued over the period in which the entitlement is earned. There was a £67,000 impact on the income statement in 2006 together with an additional liability of £238,000 recognised in the balance sheet as at 30 June 2006 (2005: £171,000).

(iv) IFRS 2 Share-based payment: The Group has applied IFRS 2 to the share arrangements by which employees have been granted options to purchase shares in the Company. The charge to the income statement represents the fair value of these arrangements calculated using an appropriate option-pricing model adjusted for forfeits and where applicable non-market performance conditions. The charge has been spread over the period from the date of grant of options to the date when the shares vest unconditionally adjusted to reflect actual and expected leavers and the satisfaction of performance conditions. Under UK GAAP before 2007 there was no charge made in the profit and loss account for these arrangements. During 2006 there was an expense of £661,000 recognised in the income statement but no overall impact on the balance sheet as the expense was offset by a corresponding adjustment of £661,000 to equity through reserves (2005: £14,000)

(iv) Goodwill: Under UK GAAP, goodwill was amortised over its estimated useful life. Under IFRS, goodwill is not amortised but is instead subject to an annual impairment test. As a consequence of this, the goodwill amortisation included in the 2006 UK GAAP balance sheet of £200,000 has been reversed (2005: £133,000).

(vi) Available for sale investments: Under IAS 39, fixed asset investments have been classified as available-for-sale and are recognised and measured at fair value with adjustments to fair value reflected directly in equity. The treatment was the same under UK GAAP during 2006. Prior to 2006, under UK GAAP fixed asset investments were recognised and measured at cost less any permanent diminution in value. The carrying value of available for sale investments at 30 June 2005 have increased by £5,927,000 in the IFRS balance sheet with a corresponding increase of £5,927,000 to the investment revaluation reserve.