Hargreaves Lansdown plc

Report and Financial Statements

for the year ended 30 June 2011

*Forms part of the Directors' report

Registered number: 02122142

HARGREAVES LANSDOWN

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The Directors' report and business review

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Cautionary statement regarding forward-looking statements

This Annual Report has been prepared for the members of the Company and no one else. The Company, its Directors, employees or agents do not accept or assume responsibility to any other person in connection with this document and any such responsibility or liability is expressly disclaimed. This Annual Report contains certain forward-looking statements with respect to the principal risks and uncertainties facing the Company. By their nature, these statements and forecasts involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts. The forward-looking statements reflect the knowledge and information available at the date of preparation of this Annual Report, and will not be updated during the year. Nothing in this Annual Report should be construed as a profit forecast. Where we refer in this report to other reports or material, such as a website address, this has been done to direct the reader to other sources of information which may be of interest to the reader. Such additional materials do not form part of this Report.

Hargreaves Lansdown at a glance

We are the UK's largest direct to investor 'investment supermarket' with an annual turnover in excess of **£200 million.**

We administer more than **£24 billion** of investments in our ISA, SIPP and Investment accounts for over 380,000 clients, and have arranged investments for over a million clients.

We use our buying power to get clients great deals on their investments. Our clients saved more than **£180 million** on investment charges last year.

We provide award winning services. **96%** of our clients rated our service as good, very good or excellent.

We continue to invest in technology and resources to enhance our client services. New **iPhone and Android apps**, additional **stockbroking facilities**, reduced tariffs and online overseas dealing were launched in August 2011.

Our mission

Our mission is to help investors make more of their investments by providing the best information, the best service and the best prices.

Highlights

Hargreaves Lansdown's success is built around clients, staff and high quality service.

We have had another strong year as we focus on providing excellent service, value, and simplicity.

Revenue

£207.9m

2011	207.9
2010	159.0
2009	132.8
2008	120.3

Underlying diluted EPS (page 61)

20.0p

2011	20.0
2010	13.9
2009	11.0
2008	9.0

Profit before tax

£126.0m

2011	126.0
2010	86.3
2009	73.1
2008	60.9

Dividend per share

18.87p

2011	18.87
2010	11.88
2009	10.10
2008	7.80

£24.6bn

Value of investments administered for clients increased by £7.1 bn (a 41% increase)

5.2m

Number of trades dealt for clients in the year, 27% increase

380,000

Number of active clients using our Vantage Service, a 50,000 15% increase

£3.5bn

Value of net new business inflows, 6% increase

Award-winning services

We win prestigious awards every year for delivering exceptional services to clients across the financial spectrum. We know from satisfaction surveys that 98% of clients rate our service as better or as good as they could find elsewhere, and 96% of clients rate our services as good, very good or excellent.

2010/2011

Best Financial Services PLC
UK Stock Market Awards 2011

Top 10 for Quality of Goods & Services
Most Admired UK Company Awards - Management Today

Retail Stockbroker of the Year
City A.M. Awards

Best SIPP Provider
What Investment

Best Independent Financial Adviser
What Investment

2009/2010

Best IFA Firm
Unbiased.co.uk

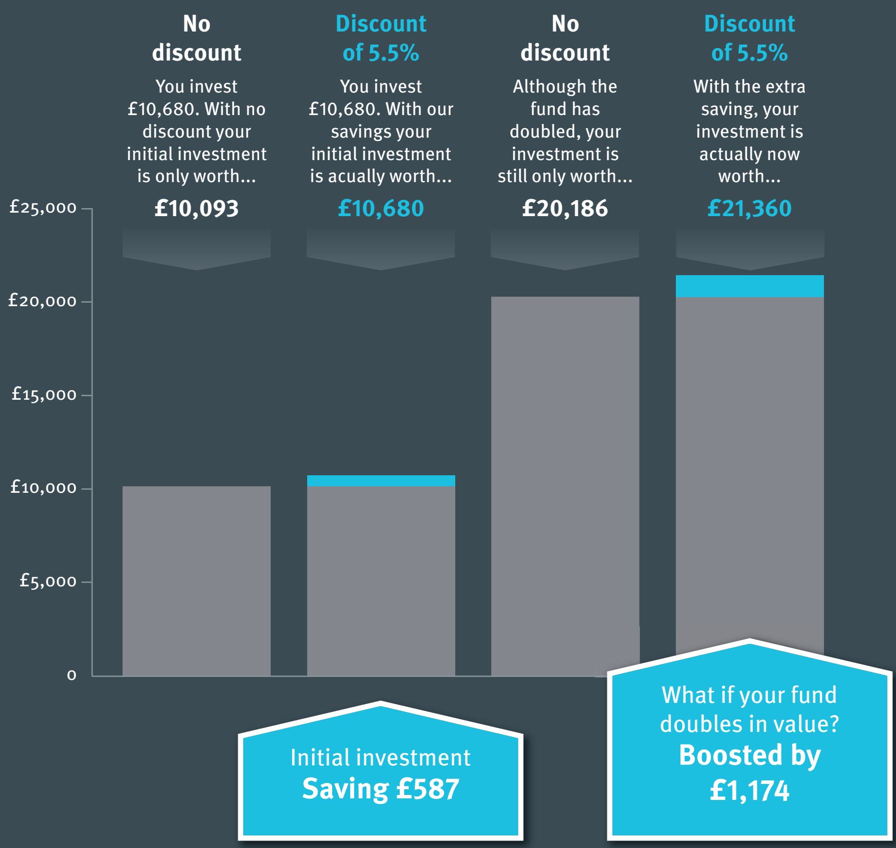
Media IFA of the year
Danny Cox - Unbiased.co.uk

Best Pensions IFA
Tom McPhail - Unbiased.co.uk

Reducing the cost of investing

By investing through Hargreaves Lansdown our clients saved more than £180 million on investment charges last year. This was achieved by cutting the cost of the charges levied by investment fund managers on more than 1,700 funds.

Savings up to 5.5% on initial charges can help get investments off to a flying start and if the value of the investment grows so will the value of the saving. The chart below shows the difference between a client investing £10,680 into an investment fund with no discount, and a client investing through the HL Vantage service with a saving of 5.5%.



Chairman's Statement

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

Introduction

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

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

Dividend

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

59%

increase to dividends

The Board

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

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

A second (final) ordinary dividend of 8.41 pence and a special dividend of 5.96 pence brings the total dividend for the year to 18.87 pence (2010: 11.88 pence)

Governance

It seems only yesterday that we became a public company and now we have to consider what extra things our investors might require of us to position ourselves as a FTSE 100 company. In the Corporate Governance statement on pages 29 to 36, we detail the steps that we have taken to broaden our compliance with the UK Corporate Governance Code. The results of the Board review undertaken were positive and confirmed that the Board and its Committees have operated efficiently and diligently.

Summary

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

Michael Evans
Chairman
13 September 2011

Our services

Hargreaves Lansdown aims to help each client make more of their money throughout their life. Over the last year we have saved our clients more than £180 million in discounts on initial and annual charges along with rebates paid to clients via our Loyalty Bonus.

Vantage Service

Whether a first time investor or wanting to improve the way that existing investments are managed, our aim is to give our clients all the tools, help and information they need to make their own investment decisions and save money. In effect we want to help people become their own financial adviser.

The Vantage Service allows clients to bring all their ISAs, Pensions (SIPPs), and funds and share accounts into one easy to manage place. It puts them in control. Clients can manage their investments by telephone, post or online. By dealing with us directly, they save money.

Timely, free investment research to help make better investment decisions

Our research team (headed by investment experts Mark Dampier and Lee Gardhouse) investigate thousands of different investments and meet hundreds of fund managers a year. Its findings are available free via our Wealth 150 list of favourite funds in each sector, latest investment ideas and our Investment Times newsletter. We also keep clients up to date with tax and economic information in our regularly updated free guides and expert comments.

Serving clients' investment needs throughout their life

It is now possible to have a SIPP shortly after you are born. From November 2011 the Junior ISA is being launched for children. From the age of 16 clients can have the standard ISA, and from 18 a Fund and Share dealing account. All these accounts can remain with our clients and be administered by us for life. Along the way we shall aim to continue to offer our clients the best price, best information and best service to help maintain complete client satisfaction. As and when the investment landscape, pension rules, or tax laws change we will be here to assist clients to help them make the most appropriate decisions on their investments.

A retirement service that could increase your income by up to 40%

We help individuals obtain a superior retirement income. Our annuity service enables clients to find a better pension income - in some cases it could improve income by up to 40% more . We save thousands of pounds in charges on new and existing income drawdown pensions.

Looking for investment advice?

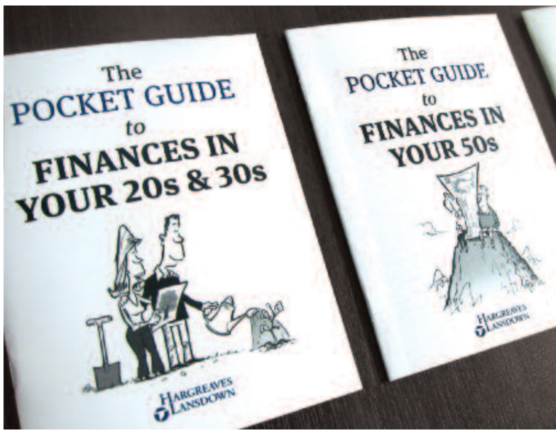
We understand that not everyone feels confident in making their own investment decisions and some prefer individual advice. Where that is the case we have a team of over 60 highly qualified independent advisers based nationwide who are able to help clients either face to face or over the telephone. They can give one off advice, help build an investment portfolio, or provide access to a full ongoing Portfolio Management Service (PMS). We also provide our own range of multi-manager funds. The Hargreaves Lansdown approach is unique and represents the best starting point if you're seeking advice. It's based upon our belief you should only pay for things you need and value. We believe this is just as true for advice as for any other walk of life.

Corporate Services

In addition to services for private individuals we are a leading provider and broker of corporate pension and wrap solutions. Our corporate wrap allows employees to benefit from the Hargreaves Lansdown Vantage service via their workplace. Corporate Vantage includes award-winning SIPP, ISA, Fund and Share accounts.   We also offer a market-leading retirement and annuity broking service allowing employees to obtain a higher income via our annuity search engine.

Other Services

We offer a foreign currency service to both private clients and companies and for more sophisticated investors the ability to invest in Venture Capital Trusts (VCTs), Enterprise Investment Schemes (EIS), Contracts For Difference and Financial Spread Betting.



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Our Clients

We have 380,000 active Vantage clients and 11,400 clients in our Portfolio Management Service. We have client relationships with 570 companies including 30 FTSE100 companies. The key to the growth and success of our services is that we listen to our clients and respond to their needs. We welcome comments and criticisms so that we can further improve the service and provide clients with what they want. Our management team review and respond to client feedback personally.

The full range of our services can be viewed on the website at *www.hl.co.uk/investment-services*

Hargreaves Lansdown was established 30 years ago and offers a range of investment products, investment services, financial planning and advice.

We have established a reputation for providing high quality service and value-for-money products to private investors, whether they are making their own investment decisions or looking for an advisory or discretionary service.

Our Corporate annuity and Corporate Vantage wrap services are provided to many household names:

Case studies

McCarthy & Stone - Simplifying pension administration and helping its employees to manage their savings.

McCarthy & Stone is Britain's largest builder of retirement homes. Following a major review of its pension arrangements, McCarthy & Stone switched to Hargreaves Lansdown's Corporate Vantage in November 2010.

The problem

The previous pension schemes were time- consuming to administer and offered very limited web access. They had complicated charges with little transparency.

The sheer complexity prevented many employees from taking up a pension. McCarthy & Stone wanted one simple scheme with easy set-up and administration, a wider choice of funds, easy web access, good value and better financial education.

The solution

After months of research, McCarthy & Stone could not find an insurance provider able to meet all its requirements. Hargreaves Lansdown's Corporate Vantage ticked all the boxes:

- One simpler scheme
- Reduced administration
- More choice
- Better education
- Better web access and service
- Good value and greater transparency

The launch

The new scheme allowed employees to join online, through a branded website, over the phone, or by post. Our financial education team held 19 group presentations and 314 individual meetings across six company sites, managing the whole process with minimal disruption for McCarthy & Stone and its employees.

The results

- 20% increase in pension take-up compared with the previous scheme
- 42% of current members increased their contributions
- Several employees have taken up the HL Corporate ISA

"The Hargreaves Lansdown Corporate Wrap delivered exactly what it promised: simple administration, seamless implementation and excellent financial education sessions for our people. An excellent result"

Paula Jordan,
McCarthy & Stone HR Director

McCarthy & Stone

"Why I transferred to the Vantage SIPP"

Richard Cooke (43) transferred to the Vantage SIPP so he could hold his pension alongside his ISAs and investments

"I've been using the Vantage Service for several years to invest in funds and shares. I find it low cost and convenient and like having the option of managing my account online.

I recently transferred my pension, a stakeholder, to the Vantage SIPP so I could manage my pension alongside my investments. I can now see them all on a single statement.

The investment choice in my stakeholder was very limited. I received just one statement a year, which often left me unsure where my pension was invested.

The SIPP is far more transparent as I can get a valuation and see where I'm invested 24 hours a day. I can make my own decisions and invest almost anywhere I like.

Transferring was easy. The legwork was done by Hargreaves Lansdown on my behalf and it ran very smoothly. The service has been first class, exactly what I've come to expect from Hargreaves Lansdown."

Switching to the Vantage SIPP to cut costs

Edward Pearson (63) from West Yorkshire became disillusioned with the costs he was paying his pension provider.

"There were several features that attracted me to the Vantage SIPP, the main one being cost. I was paying a 2% annual charge on my old pension and the service was poor.

Switching to the Vantage SIPP has helped me cut costs. There were no set up charges, no charges to transfer in my pension and I pay Hargreaves Lansdown no initial or annual charges for my funds.

I like being able to buy and sell investments online. The Hargreaves Lansdown helpdesk is always on hand to answer my questions too. I heard good reports about Hargreaves Lansdown and I'm pleased to say they're all correct."

Our strategy and objectives

Hargreaves Lansdown aims to help investors make more of their investments by aiming to provide the best information, the best service and the best prices in its areas of operation. This philosophy should create value for clients, shareholders and staff.

Hargreaves Lansdown derives earnings based on the value of investments under administration or management. The Group is renowned for innovative marketing, and a focus on client satisfaction and retention through first class service and information. The Company employs a unique direct selling model which is cost effective, scalable and profitable.

Fundamental to achieving these objectives is ensuring the retention of trust of our clients by consistently delivering on commitments. We have put the long-term interests of the client first, regardless of short-term pressures, fashions or market conditions. This has paid dividends. By creating value for clients, we shall create long-term value for shareholders and provide fulfilling careers for staff.

Our ongoing aims are:

- Attract and retain clients by identifying and satisfying their investment requirements
- Improving the quality of earnings through increasing recurring income
- Increase shareholder value through delivering consistent growth in earnings per share and a growing stream of dividend income
- Managing risk effectively
- Maintaining our entrepreneurial culture where we remain flexible and responsive to opportunities, competition and the changing environment; and
- Motivate and retain our talented employees through rewarding roles and incentives aligned to the goals of our clients

Our strategic focus in the 2012 financial year are:

- Energy into new initiatives
- Continued commercial improvements to enhance the client experience
- Continued operational improvements to improve efficiency and/or reduce risk
- Tapping into new channels to market
- IT and investment in scalability

To fulfil our objectives our strategy is focused into the four key areas shown below.

• Excellent service • Asset gathering
• Efficiency improvements • Quality staff

Chief Executive's review

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

The company delivered a 41% increase in assets under administration from £17.5 billion to £24.6 billion, 50,000 new clients were welcomed.

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

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

Review of the economic background

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

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

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

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

Hargreaves Lansdown's 2011 results

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

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

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

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

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

2012 market outlook

Storm clouds have been brewing ever since the last round of quantitative easing. Since our year end the markets have seen a worldwide sell-off of stocks and de-risking. Although commercially many firms look fundamentally sound there is only so much cost saving that can be affected. To provide long-term growth economic stimulus is essential, but the tools available to policymakers are currently limited which has led to fragile confidence. Emerging markets have the advantage of not being burdened with either personal or sovereign debt, although those countries rely on the western world buying their products. Uncertainty remains over the future of the Euro and the ramifications of repayment of sovereign debt to those western banks which have been foolhardy in their lending policies.

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

Company outlook

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

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

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

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

Our digital strategy is increasingly important, with 27.5 million visits to our website during the year, a 24.3% increase. We have developed and will continue developing new routes for seeking,

We report a record profit before tax of £126.0m, up 46%.

attracting and communicating with clients through electronic means which are increasing in scope and sophistication. Our new i-Phone and Android mobile phone applications provide investors access to extensive fund, share and investment research, trading functionality, and allow clients to manage their portfolio on the move. Since launch in August 2011 our i-Phone and Android applications have been downloaded over 11,000 times.

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

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

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

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

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

Post year-end trading

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

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

We are satisfied with progress on our Corporate Vantage proposition and continue to build our reputation in the corporate market.

The impact of regulation

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

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

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

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

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

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

Conclusion

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

Ian Gorham
Chief Executive
13 September 2011

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Strategic priorities and progress

How are we doing?

Our 2011 priorities

Excellent service

- Develop improved functionality for our share dealing service.
- Improve our range of advisory services.

Asset gathering

- Develop an improved tariff for our share dealing service, further improving recruitment of new clients and retention of existing clients.

Progress against our objectives

Excellent service

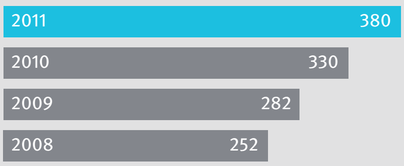
- In 2011 we maintained our excellent client and asset retention rates. 96% of clients responding to a June 2011 survey rated our service as good, very good or excellent.
- We extended the scope of online services. We developed the improved share dealing functions including online overseas dealing, i-Phone and Android apps, stops and limits functionality, with the changes launched in July and August 2011.
- Advisory services have been extended to include free platform assistance, model portfolios.
- In response to client feedback we also extended our opening hours.

Asset gathering

- In 2011, assets under administration (AUA) increased by £7.1 billion. The asset retention rate remained very high at 92%.
- A new, reduced, share dealing tariff has been developed and promoted, with the tariff effective on 1 August 2011.
- We launched our Corporate Vantage service, and by 30 June 2011 we operated 27 schemes for corporate clients.

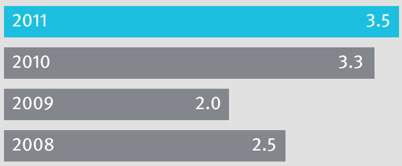
Performance indicators

Number of active Vantage clients ('000)

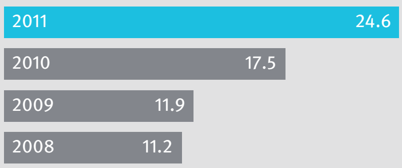


Vantage asset retention (%)

Net new business (£bn)



Assets under administration (£bn)



2012 focus

Excellent service

- Continued commercial improvements to services to enhance the client experience.

Asset gathering

- Progress the Investment Supermarket strategy.
- Continued energy into new initiatives, such as Corporate Vantage and the Junior ISA.
- Tapping into new channels to market.

Efficiency improvements

- Utilise technology and exploit the benefit of owning our own systems and platform to improve the efficiency of our operations.

- We have further increased the scope of online services to include online withdrawals and have made further efficiencies to the transfer process.
- The proportion of Vantage clients who manage their investments online has increased with 83% of share dealing in Vantage carried out online (2010: 79%) and 74% of clients registered for online access (2010: 71%).
- We have invested in our IT development capacity and initiatives to future proof our systems.

Underlying operating profit margin (%)

2011	61.3
2010	56.5
2009	52.5
2008	48.0

Proportion of online Vantage clients (%)

2011	74
2010	71
2009	66
2008	62

- IT and scalability investment.
- Continued operational efficiency improvements.

Quality staff

- Retain and develop quality staff.
- Increase IT development capacity.
- Expand advisory business.

- Established adviser academy to develop both new internal and external recruits.
- Recruited additional IT developers and improved project management process.
- Retention of all key management.
- Continued use of share incentives for key staff and SAYE scheme for all staff.

Average number of staff

2011	653
2010	628
2009	607
2008	657

Pre tax profit per employee (£'000)

2011	192.98
2010	137.41
2009	120.40
2008	92.76

- Continued focus on retention of quality staff, and expansion of advisory business.

Our Business Model

Fund supermarkets and wrap platforms typically focus on servicing the IFA community and are remunerated for acting as administrator. The IFA using the platform is remunerated for acting as distributor. We provide our fund supermarket and wrap platform direct to the private investor, thereby performing the role, and capturing the economics, of both the platform provider and distributor.

We strengthen our ability to win and retain clients by discounting charges and passing on a portion of the annual management charge to clients as a loyalty bonus on many Vantage accounts. The Hargreaves Lansdown business model allows us to offer highly competitive prices to our clients and achieve strong profitability.

We aim to create shareholder value by being the leading provider of investment management products and services to private investors in the UK. In 2012 we will build on our 'Investment Supermarket' strategy to position Hargreaves Lansdown as the best place to buy any mainstream retail investment directly.

Our strategy is focused on growing the value of assets we have under administration or management and consequently increasing our revenues and profitability. The growth is fundamentally delivered through providing an excellent service to our clients whilst maintaining tight cost control and achieving efficiencies in order to improve our profit margin to the satisfaction of shareholders.

Financial Review

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

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

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

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

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

Including one-off expenses, statutory profit before tax increased by 46% to £126 million compared to £86.3 million in the previous year. The effective tax rate for the Group this year was 27.0%, resulting in a reported profit after tax for the year of £91.9 million (2010: £61.3 million).

Divisional performance

The Operational review on pages 17 to 21 contains information about the performance of the Group. In particular further information about Assets Under Administration (AUA) and the performance of the three divisions – Vantage, Discretionary & Managed, and Third Party & Other services.

	Year ended 30 June 2011 £'million	Year ended 30 June 2010 £'million
Revenue	**207.9**	159.0
Underlying administrative expenses	**(80.5)**	(69.2)
Underlying operating profit (*)	**127.4**	89.8
One-off administrative expenses	**(3.0)**	(4.4)
Operating profit	**124.4**	85.4
Non-operating income	**1.6**	0.9
Profit before taxation		
- Before one-off administrative expenses	**129.0**	90.7
- After one-off administrative expenses	**126.0**	86.3
Taxation	**(34.1)**	(25.0)
Profit after taxation	**91.9**	61.3
Underlying diluted earnings per share	**20.0**	13.9
Diluted earnings per share	**19.6**	13.1

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

Administrative expenses

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

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

Although staff costs remain the largest cost, as a percentage of administrative expenses it decreased by 2% to 50% (2010: 52%).

The number of staff (including directors) employed at 30 June 2011 was 662, and the average number of staff during the year was 653, an increase of 4% against an average of 628 for the comparative year. The increase in staff numbers resulted mainly from an increased investment in information technology resource and an increase in the volume of business transacted during the year and was most marked in the months surrounding the tax year-end.

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

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

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

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

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

Non-operating income

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

Taxation

Taxation increased from £25.0 million to £34.1 million. The effect of the increase in pre-tax profits was slightly softened by the effective tax rate decreasing from 28.9% to around 27.0%. This decrease predominantly resulted from a reduction in the corporation tax rate from 28% to 26% as from 1 April 2011 and a reduction in non-qualifying depreciation and expenses on which the Group is unable to obtain a tax deduction both in the current and prior year.

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

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

Earnings per share (EPS)

The diluted EPS increased by 50% from 13.1 pence to 19.6 pence. Underlying diluted EPS increased by 44%, from 13.9 pence to 20.0 pence. This is calculated as the earnings for the year, adjusted to exclude the net effect of investment gains and excluding one-off costs relating to the Financial Services Compensation Scheme (FSCS) interim levy (2011) and the move to the new office (2010), divided by the total weighted average fully diluted number of shares, including those held by the Employee Benefit Trust (the "EBT"). Further information on the funding of the EBT and potential dilution of share capital is provided within the Directors' Remuneration Report.

Dividend

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

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

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

Dividend per share	**2011**	2010	Change
Interim dividend paid	**4.5p**	8.0p	
Interim special dividend paid	**-**	1.60p	
Second (final) dividend	**8.41p**	0.58p	
Special dividend declared	**5.96p**	1.70p	
Total dividend for the year	**18.87p**	11.88p	+59%

Balance Sheet and cash flow

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

Capital expenditure

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

Cash flow and treasury policy

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

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

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

Increase in counterparty balances

In accordance with market practice, certain balances with clients, Stock Exchange member firms and other counterparties are included in the balance sheet. These balances fluctuate according to the volume and value of recent trading. At the year end, trade receivables and trade payables included £134.3 million (2010: £80.3 million) and £146.7 million (2010: £88.7 million) respectively of counterparty balances.

Capital requirement

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

As at 30 June 2011, the aggregated Pillar 1 regulatory capital requirement across the four regulated subsidiary companies was approximately £8.7 million compared to capital resources of approximately £55.0 million held in the four subsidiaries and £130.5 million held across the Group.

Key judgements, assumptions and critical accounting policies

The accounting policies adopted by Hargreaves Lansdown have been consistently applied throughout the current and prior year, except as set out in Note 2 to the financial statements. The preparation of our financial statements in accordance with these policies has required a number of estimates, assumptions and judgements.

Judgements and assumptions made in the financial statements are continually reviewed. Whilst some outcomes have been affected by the volatility in the financial markets, all judgements and assumptions in the accounting policies remain consistent with previous years. Note 3 to the Financial Statements discloses the key sources of estimation uncertainty and judgements made by the management; and Note 27 includes the Group's policies and processes on capital management, financial risk management and details on its exposure to such risks.

Going concern

The impact of the current economic conditions on the assessment of going concern has been considered in the Other Information section of the Directors' report.

Operational review

In an environment that was particularly challenging for investors, our continuing focus was on providing excellent service and value which made Hargreaves Lansdown a natural choice. We delivered a strong performance again in 2011.

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

Vantage revenue

£160.5m

2011	£160.5
2010	£112.2

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

Discretionary and Managed revenue

£24.7m

2011	£24.7
2010	£22.9

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

Third Party and Other services revenue

£22.7m

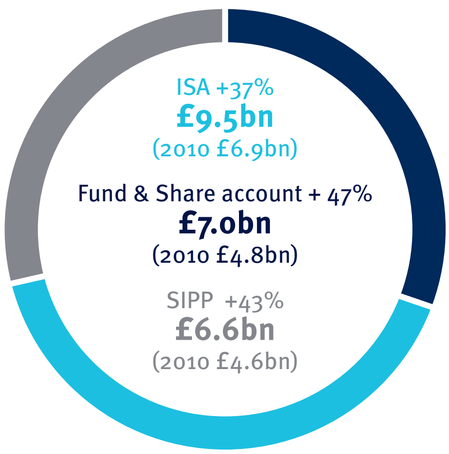
2011	£22.7
2010	£23.9

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

Vantage

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

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



Total Vantage Assets Under Administration £23.1bn (2010 £16.3bn)

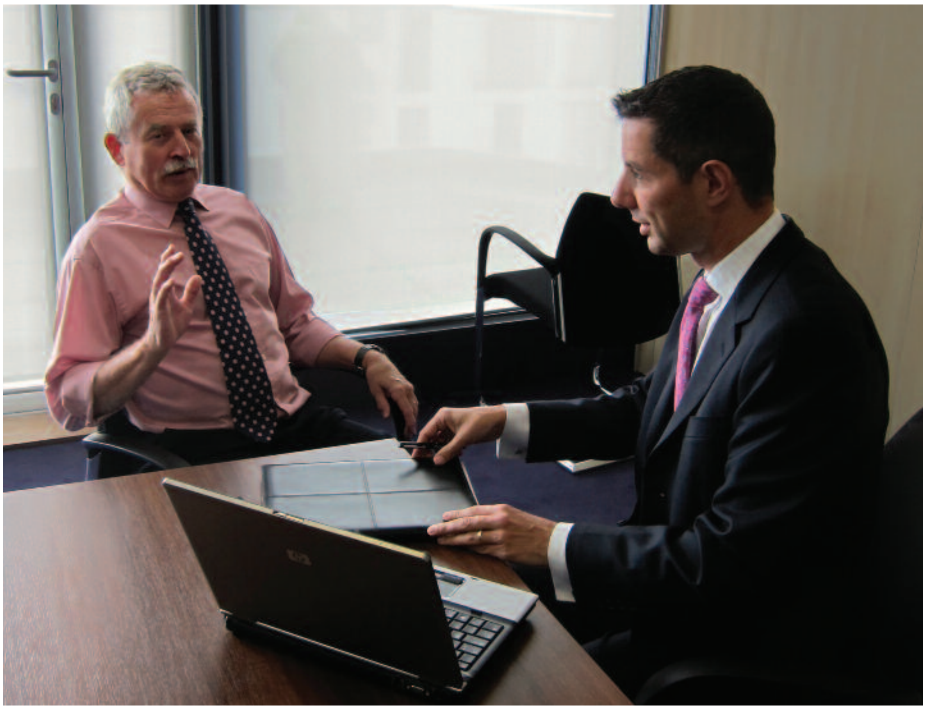
The growth in AUA derived from stock market and other growth factors was also 21% (2010: 20%). The highest percentage growth in the value of AUA during the year was evident in the Fund and Share Account, increasing by 47%, whilst SIPP AUA grew by 43% and ISA by 37%. Included within the Fund and Share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

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

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

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

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



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

Discretionary and Managed

The Discretionary division earns recurring income on underlying investments held in the Group's Portfolio Management Service (PMS), and on investments in the Group's multi-manager funds. Revenues in the Discretionary division increased by 8% from £22.9 million to £24.7 million. Increased renewal income and management fees resulting from the increase in AUA were the key drivers of the increased revenue.

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

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

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

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

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

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

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

This year we delighted more clients

- 50,000 NET NEW ACTIVE VANTAGE CLIENTS
- INCREASED CLIENT SATISFACTION SCORE
- 380,000 ACTIVE VANTAGE CLIENTS
- 11,000 PMS CLIENTS
- £3.5 BILLION NET NEW BUSINESS
- 20% ORGANIC GROWTH IN AUA
- 21% MARKET GROWTH IN AUA

We now administer more than £24 billion of investments on behalf of our clients

Total assets under administration can be broken down as follows:

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

Stockbroking services

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

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

Share dealing volumes (million)

18% growth in equity deal volumes

Share dealing % online

83% of Vantage equity deals are dealt online

IT and systems

Our core in-house systems are bespoke and we continually improve and develop them. This lack of third party dependency is a key factor in our ability to improve both functionality and efficiency. Having control of our own platform gives the ability to control service levels and react quickly to changing markets and the needs of our clients.

We provide outstanding service to our clients by phone, online or other channels. We continue to invest in IT and systems infrastructure to ensure that the maximum number of key processes are automated. The scalability of our systems and infrastructure is always under review and we intend to keep expanding their capacity.

We recently acquired the new two letter (hl) website address www.hl.co.uk to improve accessibility. The number of visits to our website during the financial year was 27.5 million up 24.3% on the previous year. These visits gave rise to over 300 million page views. Our website as at August 2011 was ranked 679th based on UK traffic volumes compared to 881st in August 2010 (source: alexa.com).

We are optimistic about the introduction of the i-Phone and Android app, both of which launched in August 2011 and are already showing promise with over 11,000 downloads in August. Within weeks the i-Phone app was rated 3rd on the list of free financial services apps. Industry sources expect smartphones and tablets to outsell personal computers in 2011 for the first time. These apps will enable us to capitalise on this growing trend for mobile devices and provide their users with greater functionality.

Work has taken place during the year to ensure business continuity following the amalgamation of the offices to a single location in February 2010. Quarterly business continuity tests take place and simulate real life disaster scenarios to both IT systems and personnel alike.

Staff

We continue to focus on motivating and retaining our talented staff.

During March 2011 we granted new options under a SAYE scheme. Further shares were purchased by the Employee Benefit Trust (EBT) during the year to be used for the future incentivisation of staff. The Board believes in the use of share schemes which align staff interests with those of other shareholders. Many employees also receive an annual bonus related to the overall profitability of the Group and their own individual contribution.

We also retain and attract staff through the provision of training, career progression, good communication and a vibrant culture. The continued growth and success of the organisation continues to create opportunities for staff.

Competition, regulation and markets

Markets

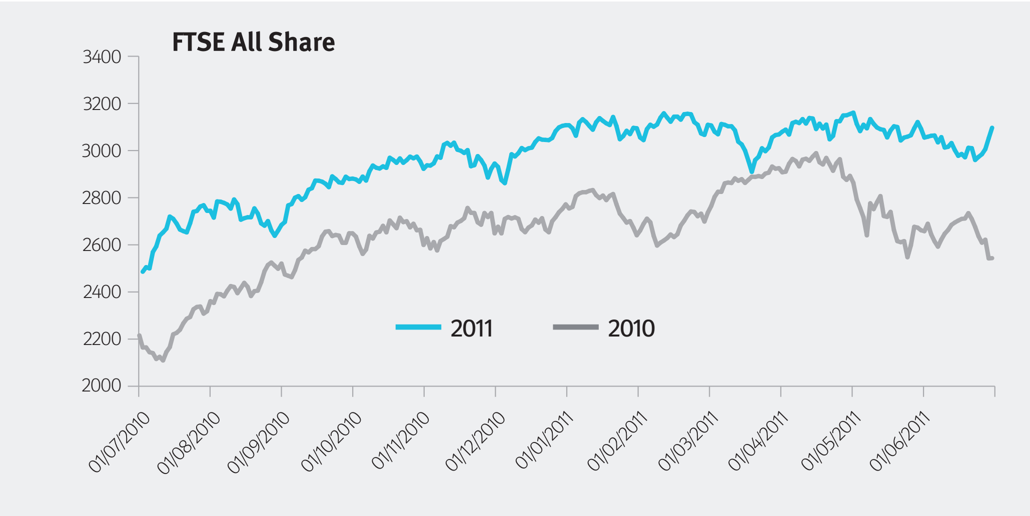
The economic climate has again been tough this year, with people facing financial pressure through government cuts and inflation. During the year under review the average daily level of the FTSE All-Share index was 12% higher than last year and contributed a 21% increase to AUA, but since the year end the market has fallen materially.

Demographics

Increased longevity means people will be unable to rely solely on state assistance, and many are faced with reduced employer pension provision. The ageing population and lower birth rates create a need for people to make their own pension provision.

The gap between current saving and the amount needed to adequately fund retirement – is being partially addressed by the UK Government by introducing auto-enrolment in October 2012. This requires employers to enrol their employees in a pension scheme with a minimum of 4% employer and employee contributions, although employees can opt out. Our own Vantage SIPP can be used to provide a workplace or individual pension, and so this change should benefit the Group.

The UK Government is also introducing NEST (National Employment Savings Trust). NEST addresses the pension provision for those on low to moderate incomes who are currently without pension savings. Again the Vantage SIPP provided to the workplace pension could benefit from this.



Pension tax relief
We welcome the simpler pension tax relief rules introduced from 6 April 2011. The new £50,000 annual limit and three year carry-forward rule will allow higher earners to make larger contributions than they were able to under the previous interim rules. This, together with the end of compulsory annuitisation, simplifies pension rules and offers individuals more choice and flexibility over their pension savings and retirement planning.

ISAs
The 2010/11 tax year statistics released by HMRC indicate that 6.9% of all new subscriptions into a stocks and shares ISA are made into the Vantage ISA. That is an increase from the 6.5% market share in 2009/10 and 4.2% share in 2008/09. HMRC figures show that new subscriptions into stocks and share ISAs have grown by more than 25% in the last two tax years. With continued low interest rates people are turning towards investing their annual ISA allowances into equities and funds. The allowance currently stands at £10,680 for a stocks and share ISA and £5,340 for a cash ISA. The launch of the Junior ISA in November 2011 will broaden the ISA market with the ability to save up to £3,600 for each child.

Each year our excellent customer service results in net positive ISA transfers from other ISA providers. Existing clients look to gather their investments in one place and transfer other ISAs they hold elsewhere on to the Vantage Platform and new clients transfer as they look to benefit from a better service than they currently receive.

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

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

Competition
The markets in which Hargreaves Lansdown operates are highly fragmented. We compete with other businesses providing investment products and services direct to the private investor. These include IFAs, execution-only brokers, banks, building societies, life assurers, fund supermarkets and certain wrap platforms.

We continuously monitor the competitor landscape and react accordingly. Given the success of our business, we know that direct competition is likely to increase and expect this will expand the market. Significant barriers to entry do exist. We have 30 years experience and have developed the IT systems and infrastructure in-house, both to facilitate efficient administration and more specifically to fulfil our clients' needs of which we have unparalleled knowledge. The direct marketing reach is in excess of 1.5 million people, a contact list which would be difficult to compile today. Our reputation and brand is highly regarded with clients, investors and industry experts. Our significant client numbers and AUA gives us significant economies of scale allowing us to focus on aiming to provide the best service, information and prices for our clients.

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

Tracey Taylor
Group Finance Director
13 September 2011

Principal risks and uncertainties

Like all businesses, the Group faces a number of potential risks which, if not properly controlled, could hinder the successful implementation of its strategy and have a material impact on the long-term performance. The Board believes that a successful risk management framework balances risk and reward. Within the Group, responsibility for risk management and internal control rests with the Board. The Board and senior management of Hargreaves Lansdown are proactive in identifying, assessing and managing risk. The Executive management implements and maintains the systems of internal controls. Further details of our systems for internal control and risk management can be found in the Corporate Governance statement.

The low risk profile of the business has not changed significantly this year. One of our highlighted risks each year is market volatility and this has certainly been experienced in 2011. Although the markets remained volatile in 2011, they did have an upward trend over the course of the year to 30 June 2011. This was beneficial as a significant part of Group revenue is based on the value of client investments. Market volatility remains an accepted risk, although the high percentage of assets in tax wrappers and a cash option on our platform does reduce the impact of such market turbulence on our performance.

In terms of regulatory risk, on 1 August 2011 the FSA issued a policy statement PS11/9 "The Platform Paper". In this paper the FSA stated "it would be desirable, in principle, to ban payments by product providers to platforms". Payments from product providers represent a significant revenue stream. However, the FSA has accepted that with such a ban there could be unintended consequences which might arise that are not yet fully understood and hence they have not yet made rules to introduce it. The FSA has committed to carrying out further work including careful consideration of the impact on consumers, business model analysis of the platforms market and research into the way consumers engage with this market before deciding on the nature and appropriate timescale for making any rules. The FSA has confirmed that any rule changes will not come into force before 31 December 2012. In response to this proposal Hargreaves Lansdown believes that if such a ban does come in, (and there is no guarantee that it ultimately will), there are a range of recurring revenue models available and currently used in the business, which could be extended to mitigate the loss of revenue from product providers. Such a change to our revenue model can be made whilst remaining highly competitive to existing and potential clients. With any rule changes only commencing from 2013 at the earliest, there is time to successfully make a transition to an alternative model.

The risk factors mentioned below do not purport to be exhaustive as there may be additional risks that the Group has not yet identified or has deemed to be immaterial that could have a material adverse effect on the business.

Industry Risks

Risk Type	Risks	Mitigating Factors / Controls
Fluctuations in the capital markets	Fluctuations in capital markets may adversely affect trading activity and/or the value of the Group's assets under administration or management, from which we derive revenues.	• Focus on recurring revenue streams over the more volatile transaction-based alternative. • High proportion of assets under administration in tax wrappers so clients less likely to withdraw funds and lose tax benefits. • Cash option enables clients to shelter from market volatility.
Changing markets and increased competition	The Group operates in a highly competitive environment with developing demographic trends and our continued profitability depends on our ability to respond to these pressures and trends.	• Strong market position with pricing power. • Full control over flexible platform. • Experienced management team with a strong track record of innovation and responsiveness to the market. • Organisational structure and culture promotes responsiveness. • Client focused with a loyal customer base.
Evolving technology	The Group's technology needs to remain current if we are to develop and enhance our systems to accommodate changing preferences, new products and the emergence of new industry standards.	• Track record of successful development. • High awareness and sponsorship of the importance of technology at Board level. • Substantial development team in place. • Scalability project team in place.

Industry Risks continued

Risk Type	Risks	Mitigating Factors / Controls
Regulatory risk	The Group may be materially adversely affected as a result of new or revised legislation or regulations or by changes in the interpretation or enforcement of existing laws and regulations. The Group will need to replace a significant revenue stream if the FSA bans payments from product providers to platforms as stated as a desirable intention in its Policy Statement PS11/9.	• Strong compliance culture. • Business model and culture geared towards FSA principle of treating clients fairly. • Financial strength of the organisation provides comfort should the capital resource requirement be increased. • Alternative recurring revenue models are already successfully operated by the Group and these could be used to offset the potential reduction in revenue from product providers. • There is no guarantee that such a ban on revenue from product providers will ultimately be implemented as much consultation will first need to take place. This means there is plenty of time to make representations and carefully review and implement the most appropriate strategic change to our revenue model that works for both our clients and the profitability of the Group. • Competitive prices and service offering will be maintained to ensure business will not be lost to competitors many of whom will in any case be faced with the same rule change should it occur.
Changes in taxation law	Changes made to tax legislation could reduce the attractiveness of some of the Group's investment products such as ISAs and SIPPs.	• The Government has a clear priority to reinvigorate savings in order to plan for an ageing population, which is currently under-provided for. This will create opportunities for SIPP and ISA business.
Damage to the Group's reputation	The risk of reputational damage through the actions of unassociated third parties (such as copycat websites to fraudulently target client funds) needs to be minimised.	• Clients educated to improve awareness of potential 'boiler room' and other online scams. • Hargreaves Lansdown security procedures are well communicated to clients so they are more likely to question anything out of the ordinary. • Ongoing intensive monitoring and response.

Operational Risks

Risk Type	Risks	Mitigating Factors / Controls
Errors, breakdowns or security breaches in respect of the Group's software or information technology systems	Serious or prolonged breaches, errors or breakdowns in the Group's software or IT systems must be avoided.	• High level of resilience built into daily operations. • IT performance, scalability and security are deemed top priorities by the Board and are included in the IT Strategy. • Large, experienced in-house team of IT professionals and established name suppliers. • Internal procedures benchmarked against industry best practice.
Business continuity	The risk of disruption to the business as a result of IT or power failure, fire, flood, acts of terrorism, re-location problems and similar must be minimised.	• Critical applications and infrastructure mirrored across primary and secondary sites. • Business Continuity Plan produced in line with best practice methodologies and tested regularly.
Damage to the Group's reputation	The risk of reputational damage from employee misconduct, failure to manage inside information or conflicts of interest and fraud or improper practice must be controlled.	• High level of internal controls including checks on new staff. • Well trained staff. • Strong compliance culture.
Key personnel risk	Key personnel must be recruited and retained to prevent a material adverse effect on the Group's business, results of operations or financial condition.	• Succession planning encouraged throughout the Group via management and staff objectives. • Success of the Group should attract high calibre candidates. • A continuous programme of SAYE and other share option schemes are in operation to incentivise staff and encourage retention.

Operational Risks continued

Risk Type	Risks	Mitigating Factors / Controls
Litigation or claims made against the Group	The Group needs to protect against the risk of litigation from clients or third parties and actions taken by regulatory agencies.	• High levels of Professional Indemnity Insurance cover. • Comprehensive internal review procedures for marketing literature.
Reliance on third parties	Outsourced service providers must meet appropriate standards to protect the Group from the risk of regulatory sanctions and reputational damage.	• Due diligence forms part of the selection process for key suppliers. • Ongoing review by our internal audit team of key business partners.
Strategic risk	Management must remain focused on appropriate strategies and implement the Group's strategy effectively.	• Very experienced management team, with a highly successful track record to date. • Management have demonstrated an excellent understanding of the market and continue to monitor this effectively through regular dialogue with clients.
Performance of in-house managed funds	Investment performance of the Hargreaves Lansdown multi-manager funds needs to remain good relative to the market or in absolute terms, or the Group may be vulnerable to outflows in those funds and a consequential reduction in revenues.	• Only manage Funds of Funds, divested equity management to focus on core strength. • Fund analysis focuses on 'stock selection' skills of manager rather than basic performance analysis. • Multi-manager funds well diversified at the underlying fund level as well as by number of funds. • Well established and proven investment process overseen by an Internal Investment Committee. • Our Funds of Funds give investors exposure to a broad range of underlying investments. They are therefore less vulnerable to sector specific poor performance than specialised or focused funds.

Financial Risks

Risk Type	Risks	Mitigating Factors / Controls
Liquidity risks	The Group must remain able to meet liabilities as they become due and be able to liquidate assets or obtain adequate funding as necessary.	• Highly cash generative business. • Low working capital requirement. • Group maintains a substantial surplus above regulatory and working capital requirements. • Treasury management policy provides for the availability of liquid funds at short notice.
Bank default	Given the current economic climate and in particular the unprecedented problems faced by banks, the Group must protect against the risk that a bank could fail.	• Only use banks with strong credit rating and financial ratios where we do not believe the Government would allow them to fail. • Deposits spread across several banks, with limits placed on each. • Regular review and challenge of treasury policy by management.
Interest rate risks	Risk of decline in earnings due to a decline in interest rates.	• Access to competitive interest rates due to large value of cash deposits placed. • Regular fixed high interest cash offers available to clients.

Key performance indicators

We use a range of indicators in order to assess performance. We consider the following measures to be the key financial indicators when looking at the overall performance of the Group. We refer to these measures throughout the Directors' Report and Business Review.

Strategy/objectives	Performance indicator	2011	2010	+/-
Growing the value of assets under administration and management	Total assets under administration (AUA)	£24.6bn	£17.5bn	+41%
	FTSE All-Share index (1)	3096.72	2543.47	+22%
Improving earnings quality	Percentage of recurring revenue (2)	78%	72%	+6%
	Proportion of assets earning recurring revenue (3)	84%	86%	-2%
Generating growth in Vantage	Number of active Vantage clients (4)	380,000	330,000	+15%
	Net new Vantage business inflows (5)	£3.4bn	£3.2bn	+6%
Maintaining tight cost control and operating efficiency	% underlying operating profit margin (6)	61.3%	56.5%	+4.5pts
Shareholder value and superior financial performance	Underlying diluted earnings per share (7)	20.0p	13.9p	+44%

1. The closing values as at 30 June 2011 and 30 June 2010, sourced from ProQuote.
2. Total value of renewal commission, management fees and interest earned on client money, as a percentage of total revenue.
3. Percentage of assets either held in an account which generates a fixed management fee or held in an account which generates management fees, renewal commission or interest proportionate to the value of assets held.
4. Unique number of clients holding at least one Vantage account (ISA, SIPP or Fund and Share Account) with a value greater than £100 at the year end.
5. Net new business inflows represents subscriptions, cash receipts, cash and stock transfers in less cash withdrawals, cash and stock transfers out.
6. Underlying operating profit (before investment gains and excluding the additional FSCS levy and one-off costs relating to the new office) divided by revenue.
7. Based upon earnings (before investment gains) and before the additional FSCS levy and one-off costs relating to the new office, and the weighted average fully diluted share capital.

A key indicator of success for the Group is the extent to which we have increased **total assets under administration (AUA)** during the period. This involves encouraging existing clients to entrust us with more of their savings through the provision of quality service, information and pricing, whilst also attracting new clients through our various marketing initiatives.

In 2011 the value of total assets under administration grew by 41% from £17.5 billion to £24.6 billion. The 41% (2010: 47%) growth in asset values was attributable to strong new business volumes, combined with a significant market increase.

Analysis of our AUA suggests that the FTSE All-Share index is an appropriate benchmark to use for the market and so any change in this index can form a useful comparison against the growth in AUA. The **FTSE All-Share index** rose by 22% during the year ended 30 June 2011, from 2543.47 to 3096.72, adding to the 17% increase in the prior year. On average the FTSE All-Share index has been 12% higher than during the 2010 financial year. The positive effect of the market has assisted the growth in total AUA.

The importance of AUA is that they produce a recurring revenue stream made up of renewal commission, management fees and interest. The **percentage of recurring revenue** attributable to these 'quality earnings' increased from 72% in 2010 to 78% in 2011. The value of recurring revenues increased by 42% from £113.8 million to £161.2 million.

Not all of our AUA generate recurring revenue. So when looking at the growth in total AUA, it is relevant to consider another indicator; **the proportion of assets earning recurring revenue.** This has decreased from 86% in 2010 to 84% in 2011. This can largely be attributed to the substantial value (£1.9 billion, 2010: £1.1 billion) of Hargreaves Lansdown shares in the Fund and Share account which, like all equities in this account, do not generate any recurring revenue.

The indicators mentioned above provide a useful measure of how successful the Group has been in gathering AUA. However, it does not give any indication of whether this success is predominantly due to effective cross selling to existing clients and their increasing wealth or whether the Group is successfully adding to its client bank. This is essential in order to replace natural client losses and expand the business. The **number of active Vantage clients** acts as an indicator of how successful the Group has been in this respect. In 2011, the number has increased by 15% (2010: 17%) and as at 30 June 2011 stood at 380,000.

The operating profit margin is another key financial indicator, increasing from 53.7% to 59.8%. Alternatively using the **underlying operating profit margin,** where we exclude the additional FSCS levy in 2011 and the one-off costs relating to the new offices in 2010, the increase is from 56.5% to 61.3%.

The Group's revenue, predominantly derived from asset values, has been able to grow quicker than costs. The efficiency of the Vantage platform is central to the scalability of the business model.

We consider the **underlying diluted earnings per share** figure, adjusted to exclude the impact of investment gains the additional FSCS levy and the one-off costs of the new office, to be the most appropriate measure of performance. This increased by 44% in the year from 13.9 pence to 20.0 pence.

Corporate social responsibility

The Board considers that the environmental risk from direct actions taken by the Group is minimal, and that the main social responsibility focus should be on the Group's clients and staff, including improving the financial capability of the UK public. Information on the Group's employment policies and client service is detailed in the Directors' Report: other information section. We appreciate the need to continually reduce the impact of our business on the environment and we aim to improve on the positive steps we have already taken and ensure that social, environmental and ethical considerations are taken into account in our future decision making.

Improving financial capability

The Board agreed in 2009 to provide support of £30,000 p.a. for five years to a project that, like our own business, seeks to encourage savings and financial awareness. The supported project provides these services in deprived areas within Bristol.

Putting clients first

There is a culture in the business that has existed for many years to which all employees adhere to. At the heart of the culture is to always put the client first. This culture is nurtured and conveyed to all new employees and existing employees on a regular basis. As part of this culture we actively monitor all areas of the business via monthly and quarterly reporting to ensure that we are "Treating Clients Fairly".

One way to ensure that we are getting things right with clients is to listen to them and the changes they would like to see to our services. We also conduct client satisfaction surveys and the most recent one in June 2011 revealed that 96% rated our service as good or better.

Reducing energy consumption

Our newly built office has 'chilled beam' air conditioning, which is up to 60% more energy efficient and also utilises technology to manage lighting in a manner which minimises wastage. We will continue to introduce energy-efficient schemes and look at ways of optimising the energy performance of our business and in reducing our electricity usage. Our electricity usage is not high enough to mean that we have to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme was compulsory for UK organisations that consumed over 6,000 MWh of half-hourly metered electricity for the period January 2008 to December 2008. During that period we consumed well below that level and for the year-ended 30 June 2011 we had consumed only 3,058 MWh. Although we do not set a formal target for the reduction in electricity consumption the ethos of the company is such that we always try to keep energy consumption to a minimum.

Business travel is another area which impacts both our costs and the environment. We do not provide company cars as standard to managers or to our network of advisers. These advisers are spread throughout the UK which minimises travel time and carbon emissions. We provide a telephone advice service to handle those cases where a face-to-face meeting is unnecessary.

Efficiency and minimising environmental impact

In many respects, our objective of reducing waste and minimising the environmental impact of our business is aligned with our objectives of protecting client data, reducing costs, and improving efficiency. It is our aim to deal with clients and other businesses electronically wherever possible and we have invested heavily in providing a user friendly, comprehensive website and automated links to banks and fund providers. We provide the facility for clients to opt out of receiving paper valuations and contract notes. Instead these documents are now available in electronic format through our secure website. Our investment in this area will continue and we aim to further reduce the amount of paper we use whilst providing better service. The benefits will grow as more people and businesses choose to transact business and receive information online.

As at 30 June 2011 39% of our Vantage clients were registered as paperless whereby they receive all contract notes and statements online (30 June 2010: 33%).

83% of equity deals were placed online in the year to 30 June 2011 compared to 79% in the previous year.

We are also aiming to automate other processes such as ISA and SIPP transfers. These currently involve movement of paperwork between various parties around the United Kingdom. The aim would be to ultimately get such transfers all processed online and we are actively pushing for a workable solution that will enable an automated online transfer process.

Recycling

We continue to shred and recycle confidential waste and have arrangements for the collection of recyclable waste such as printer toner cartridges, cardboard, plastics, newspapers and out-of-date literature. We also continue to recycle redundant IT equipment through specialist third parties.

Communities

The Group essentially seeks to contribute to the communities in which we live and work. In addition to providing employment opportunities, we continue to support the local community initiative to promote financial capability as described above. The Group also make significant tax payments which help society as a whole. Corporation and payroll taxes paid in respect of the year ended 30 June 2011 were over £48 million (£2010: £39 million) in addition to other taxes such as VAT, stamp duty and business rates.

The sponsorship and the subsequent auction proceeds from the sculpture will go to Bristol's Wallace & Gromit appeal which supports the Bristol Children's Hospital.

As the UK approaches the momentous occasion of hosting the 2012 Olympics the Group decided to support a grass-roots sports club. A monthly donation is made to the Bristol & West Athletics Club which is the leading all round athletics club in the Southwest of England, providing coaching and competition for the widest range of events, for all age groups and all abilities throughout the year.

We have sponsored a sculpture of a gorilla which is exhibited at the entrance to our office. This is in recognition of Bristol Zoo's 175th birthday. The sponsorship and the subsequent auction proceeds from the sculpture will go to Bristol's Wallace & Gromit appeal which supports the Bristol Children's Hospital.

As with last year we are again supporting two teams of staff from Hargreaves Lansdown who are competing in the Invesco Perpetual Highland Adventure Race in September of this year. This is a challenging event, facilitating team bonding whilst raising money for the Mitchemp Trust, which aims to provide outdoor adventure programmes for youths in order to help give them hope, confidence and life skills to meet the challenges in their lives.

Every year we receive many requests for support from a wide range of charitable and social groups. Though often very worthy causes, unfortunately we are not able to make a donation to them all. Other than the above, we have made it company policy to support only one charity or non-profit organisation each year which is selected from suggestions received from employees within the Group. During the first part of the financial year we continued to support last year's chosen charity, Bristol's Under Privileged Children's Charity and from February 2011 the new chosen charity was "Cots for Tots". This is being run by the Wallace & Gromit appeal and is aiming to raise £1 million for the special care baby unit. All of our fund raising initiatives are now focused on this charity. Total donations to charity for the year-ended 30 June 2011 were £51,000 (2010: £30,000).

Board of Directors

Michael Evans, FIA
Chairman, 50

Appointed Chairman in December 2009

Michael became a non-executive director of the Company in September 2006. Michael is a qualified actuary with 27 years' industry experience. He has recently completed a two year assignment as director of life insurance at Pinsent Masons LLP. Michael was formerly Chief Operating Officer at Skandia UK Limited.

Non-Executive Director of ING Real Estate Investment Management (UK) Limited.

Ian Gorham, ACA
Chief Executive Officer, 39

Appointed CEO in September 2010

Ian joined Hargreaves Lansdown in 2009 as Chief Operating Officer. Ian qualified as a Chartered Accountant in 1996. Previously he helped build Deloitte's UK financial services operations and was Head of Grant Thornton's UK financial services business. Ian has worked with many financial services companies on a wide range of strategic and operational matters.

No external Director appointments.

Tracey Taylor, FCCA MSI
Group Finance Director, 39

Appointed Group Finance Director in November 2008

Tracey joined Hargreaves Lansdown in 1999. Her responsibilities within the Group have included systems, group finance, treasury, client accounting and the company secretarial function. In 2006 Tracey was appointed to the role of Group Accounting Director and to the Executive Committee before being appointed to the main Board in 2008. Prior to joining Hargreaves Lansdown she qualified as an accountant in 1994 before working for LloydsTSB.

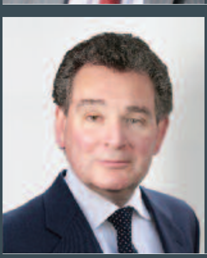
No external Director appointments.

Peter Hargreaves, FCA
Executive Director, 64

Appointed to his current role in September 2010 (formerly CEO)

Peter co-founded Hargreaves Lansdown in 1981, and was Chief Executive of the Group until September 2010. Previously, he qualified as a Chartered Accountant and worked for KPMG, Unisys Group and Whitbread Plc.

Non-Executive director of ITM Power Plc.



Jonathan Bloomer, FCA
Senior Independent
Non-Executive Director, 57

Appointed Non-Executive Director in September 2006. Chairman of the Audit Committee, Nomination Committee and Remuneration Committee

Jonathan was Chief Executive of Prudential plc. He also spent twenty years in practice with Arthur Andersen LLP. Jonathan was Chairman of the Practitioner Panel of the FSA. His previous positions also include board membership of the Association of British Insurers, Geneva Association (International Association for the Study of Insurance Economics) and Railtrack plc.

Jonathan is a Partner in Cerberus European Capital Advisers LLP, Executive Chairman of Lucida Plc, Chairman of Scottish RE Group Ltd, non-executive director of Autonomy Plc.

Chris Barling, BSc
Non-Executive Director, 55

Appointed Non-Executive Director in August 2010. Member of the Audit Committee, Nomination Committee and Remuneration Committee

Chris became a non-executive director of the Company in August 2010. Chris has over 30 years' IT industry experience and formerly held senior IT roles in Cable & Wireless and Reuters. He is the co-founder of Actinic, the software company specialising in ecommerce solutions for SMEs.

Chairman of Private Software Limited, and wholly owned subsidiaries, including Actinic Software Limited, and director of WorriedNow Limited.

Stephen Lansdown, FCA, FSI
Non-Independent
Non-Executive Director, 59

Appointed to his current role in August 2010 (formerly Chairman)

Stephen co-founded Hargreaves Lansdown in 1981, and was Chairman of the Group until November 2009. Previously, he qualified as a Chartered Accountant in 1975 and specialised in taxation with Touche Ross & Co. Stephen is a Fellow of the Securities & Investment Institute.

His other directorships are Pula Limited, Pula Properties Limited, Sustainable Technology Guernsey Limited, Willoughby (481) Limited and St James Parade (122) Limited.

Corporate Governance Statement

Corporate Governance framework

The Group operates within a clear governance framework, which is outlined in the diagram below and set out in the report that follows. The Group's internal control and risk management framework is described below in the Internal Controls section.

The Board is responsible for:

> determining the strategic direction of the Group
> determining risk appetite
> monitoring financial, risk and operating performance; and
> engaging with shareholders

The executive directors are directly responsible for running the business operations. The non-executive directors are responsible for constructively challenging proposals on strategy, scrutinising the performance of management, determining levels of remuneration and for succession planning for the executive directors. The non-executive directors must also satisfy themselves on the integrity of financial information and that financial controls and systems of risk management are robust.

Certain responsibilities of the Board are delegated to the Board Committees to assist the Board in carrying out its functions and to ensure independent oversight of internal control and risk management. Other non-board committees form part of the Corporate Governance framework, but are not formally appointed committees of the Board. These Committees feedback to the main Board and Board Committees via an executive Director where appropriate.

Statement of compliance with the UK Corporate Governance Code

During the year ended 30 June 2011, Hargreaves Lansdown plc confirms it has applied the principles of the UK Corporate Governance Code ("the Code") with the following exceptions:

1. Composition of the Board

The Code states that at least half of the Board, excluding the Chairman, should comprise independent non-executive directors. We did not comply throughout the year. As reported last year, having appointed Chris Barling on 26 August 2011 we were satisfied that a Board of eight directors, including four non-executive directors of whom three were independent, and which benefitted from the presence of the two founders who are also the largest shareholders was a very strong Board. We recognise that challenge from an effective independent non-executive team is important to the success of the Group and following the resignation of Jonathan Davis at the end of December, the Nominations Committee commenced a search for a replacement. Subject to regulatory approval, we hope to announce the conclusion of this search no later than the AGM which will add two further independent non-executive directors to the Board.

The timeline below indicates the composition of the Board throughout the period:

30.6.10 – 26.8.10	26.8.10 – 31.12.10	31.12.10 – 30.6.11
Non-Compliant	**Compliant**	**Non-Compliant**
One independent non-executive chairman	One independent non-executive chairman	One independent non-executive chairman
Two independent non-executive directors	Three independent non-executive directors	Two independent non-executive directors
Three executive directors	One non-independent non-executive directors	One non-independent non-executive directors
	Three executive directors	Three executive directors

2. Composition of the Audit and Remuneration Committees

The Code states that there should be at least 3 independent non-executive directors on the Audit and Remuneration Committees. For the period from 30 June 2010 to 26 August 2010, and from 31 December 2010 we did not comply with the Code. The recruitment of the two further independent non-executive directors to the Board and their appointment to the Audit and Remuneration Committees will bring us back into compliance.

The Company's auditor, Deloitte LLP, is required to review whether the above statement reflects the Company's compliance with the provisions of the UK Corporate Governance Code specified for its review by the Listing Rules and to report if it does not reflect such compliance; no such report has been made.

Statement about applying the principles of the Code

We have applied the both the main principles and supporting principles set out in the Code, by complying with the Code as reported above. Further explanation of how the principles and supporting principles have been applied is set out in this Corporate Governance statement and in the Directors' Remuneration report. A copy of the Code is publicly available on the Financial Reporting Council's website at www.frc.org.uk.

The Board

Board size, composition and changes during the year

As at 30 June 2011 there were seven Directors on the Board: the Chairman, two other independent non-executive directors, one non-independent non-executive director and three executive directors. The size and composition of the Board is regularly reviewed by the Board and, in particular the Nominations Committee, to ensure that there is an appropriate and diverse mix of skills and experience.

During the year, the following changes were made:

- Peter Hargreaves stepped down as Chief Executive Officer on 2 September 2010 taking on the role of Executive Director.
- Ian Gorham (previously Chief Operating Officer) was appointed as Chief Executive Officer on 2 September 2010.
- Jonathan Davis retired from the Board as a non-executive director on 31 December 2010.
- Stephen Lansdown was appointed as a non-independent non-executive director on 26 August 2010 and stepped down as an executive director on the same date.
- Chris Barling was appointed as an independent non-executive director on 26 August 2010.

Chris Barling has become Chairman of Private Software Limited, and wholly owned subsidiaries, including Actinic Software Limited (previously director), and a director of WorriedNow Limited. Stephen Lansdown has become director of Pula Limited and Pula Properties Limited. There have been no other changes to the other directorships held by the Board during the year. More details on our Board members, including other directorships, are on page 28.

Independence of non-executive directors

The Code sets out the circumstances that should be relevant to the Board in determining whether each non-executive director is independent. We have given due regard to provision B.1.1 of the UK Corporate Governance Code and the Board has concluded that Chris Barling was independent on appointment in August 2010, and that he and Jonathan Bloomer were both independent directors throughout the financial year. Michael Evans was independent on appointment as Chairman. Jonathan Bloomer is currently the Senior Independent Non-Executive Director.

The Board has previously required all non-executive directors to be independent in their judgement and free from any business or other relationship that could interfere with the exercise of objective judgement. Although Stephen Lansdown cannot be considered to be independent due to being co-founder and former executive Chairman of the Group, we believe that his appointment as a non-executive Director adds significant benefit to the Board and that his wealth of experience more than offsets his non-independent status.

The terms of reference of the non-executive directors are available for inspection at the Company's registered office and during the Annual General Meeting.

Roles and responsibilities of the Board

The Board has overall responsibility for the management and performance of the Group, and ensuring adequate succession planning for senior management. It sets the strategic direction of the Group, determines the appropriate risk appetite, and ensures that sufficient resources are in place to achieve the objectives set. The Board reviews performance, including that of the management team and senior executives. It is the decision-making body for all other matters deemed material to the Group in strategic, financial and reputational terms. The non-executive directors constructively challenge the management team and supplement the executive directors' management expertise with a diversity of business skills and experience.

The Directors are also responsible for ensuring that obligations to shareholders and other stakeholders are understood and met, and that a satisfactory dialogue with shareholders is maintained. All Directors are equally accountable to our shareholders for the proper stewardship of our affairs and the success of the Company.

Except for a formal schedule of matters reserved for decision by the Board, the Board has delegated the day-to-day management of the Group to the Chief Executive who is supported by the Executive Committee and senior executives. The Chief Executive and executive directors of the Group are responsible to the Board for developing strategy and the profitability and overall performance of the Group.

There is a documented schedule of matters which are reserved for Board decision and approval. These matters are significant to the Group as a whole due to their strategic, financial or reputational implications, and include, but are not limited to, the agreement of strategies, recommendation of dividends, approval of acquisitions and major capital expenditure. In addition, it is only the Board who can appoint and remove Directors and our Company Secretary. The Board also has overall responsibility for the Group's system of internal controls and risk management. Risk management arrangements are described below.

The roles of Chairman and Chief Executive

The roles of the Chairman and Chief

Executive are clearly defined, separate and approved by the Board.

The Chairman is responsible for the operation, leadership and governance of the Board, ensuring its effectiveness and setting its agenda. In conjunction with the Chief Executive and Company Secretary, the Chairman plans agenda items and timings for Board meetings. The Chairman ensures that the membership of the Board is appropriate to the needs of the business and that Board committees carry out their duties, including reporting back to the Board.

The Chief Executive has executive responsibilities for the operations, results and strategic development of the Group. He is responsible for the delivery of strategy and leads the executive management team.

Board support

The Company Secretary is responsible to the Board for ensuring Board procedures are followed, applicable rules and regulations are complied with and that the Board is advised on governance and relevant regulatory matters. All Directors have access to the services of the Company Secretary.

In order for Directors to fulfil their duties they can also seek independent professional advice, at the Company's expense.

Board meetings

The Board convenes at least four times each financial year, and five times in the last financial year.

Meetings are held in such a way as to encourage robust and constructive challenge and debate which enables the non-executive directors to use their knowledge and experience to critically review strategies proposed by management. This approach ensures that we act in the long-term best interests of our shareholders.

Between Board meetings, Directors are provided with monthly information packs which include detailed commentary and analysis. To ensure that Directors are as fully informed as possible, minutes are circulated from each Committee, including the Executive Committee, and each Board meeting includes a report from the Committees as appropriate. The Chairman and non-executive directors have also held meetings separate to those with the executive Directors, including meeting with the external auditor and the Head of Internal Audit.

Directors

Under the existing Articles of Association all directors have to submit themselves for re-election annually if they wish to continue serving and are considered by the Board to be eligible. All current directors wish to be re-elected and the Board confirms that all individual performance reviews demonstrated that the directors continue to demonstrate effective performance and commitment to their roles.

The Company maintains insurance cover for up to £2 million for all directors and officers of Group companies against liability which may be incurred acting as directors and officers.

Training

Our Chairman is responsible for preparing and implementing a personalised induction programme for all new Directors, to include guidance as to their duties, responsibilities and liabilities as a director of the Company. We believe that the best way to learn about a business is to spend time within it, and we encourage new Directors to spend time with our senior managers and executives in a number of business areas and to receive demonstrations of key operations and systems where relevant.

Our overall objective is to maintain and enhance professional standards for all our employees. We believe that these standards are particularly important for all staff who fall under the scope of the Financial Services Authority Training and Competence rules. All staff under the scope of these rules are required to perform certain training during a year.

Every director has access to appropriate training throughout their appointment as director and we regularly assess the requirement for director training as part of each director's annual appraisal.

Board effectiveness and performance evaluation

The Code recommends that an evaluation of the effectiveness of the Board and its Committees is conducted annually and that the process is externally facilitated at least every third year. The Board carried out an internally facilitated board effectiveness review in the year. The Review was led by the Chairman and covered the effectiveness of the Board as a whole, its individual Directors and its Committees. The outcome of the review was positive, with no significant areas for concern. The main area given further consideration was the future structure and size of the Board, and in particular the desired skills and competencies needed to enhance the Board's existing skill sets. These were key selection criteria used during the search for new non-executive directors.

Individual appraisal of each director's performance is undertaken by either the Chief Executive or Chairman each year and involves meetings with each director on a one-to one basis. The non-executive directors, led by the senior independent director, carry out an appraisal of the performance of the Chairman. The Chief Executive's performance was evaluated by the Chairman and the non-executive director team with input from the executive Directors.

Board committees

This section of the report sets out how the Board and its Committees work within the Group's governance framework and corporate governance guidelines.

Certain responsibilities of the Board are delegated to the Board Committees to assist the Board in carrying out its functions and to ensure independent oversight of internal control and risk management. The three principal Board Committees (Audit, Remuneration, and Nomination) play an essential role in supporting the Board in fulfilling its responsibilities. The minutes of each Board Committee meeting are circulated and noted by the Board.

The Board Committees all have formal Terms of Reference that have been approved by the Board, and performance of the Committees is assessed annually by the Board. Each Committee's terms of reference sets out the specific matters for which delegated authority has been given by the Board. These terms of reference are reviewed annually and the terms of reference of the Audit, Remuneration and Nomination Committee are available on the Group's website (www.hl.co.uk/investor-relations).

A summary of the terms of reference for each committee is included in the committee summaries below.

Audit Committee
The Audit Committee is responsible for assisting the Board in discharging its responsibilities for:

- monitoring of the financial reporting process including the integrity of the annual and interim reports, preliminary results and any other formal announcements relating to financial performance;
- risk reporting;
- reviewing the Group's internal financial controls and the Group's internal control and risk management systems;
- monitoring and reviewing the effectiveness of the Group's Internal Audit function;
- making recommendations to the Board, for a resolution to be put to the shareholders for their approval in general meetings; in relation to the appointment of the external auditor and the approval of the remuneration and terms of engagement of the external auditor; and
- reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements.

The Audit Committee is required to report its findings to the Board, identifying any matters in respect of which it considers that action or improvement is needed, and make recommendations as to the steps to be taken.

The Audit Committee has also continued to monitor our public interest disclosure (Whistleblowing) policy which contains details of the process by which employees can raise, in confidence, complaints on accounting, risk issues, internal controls, auditing issues and related matters for reporting to the Audit Committee as appropriate.

The Chairman of the Audit Committee will be available at the Annual General Meeting to answer any questions about the work of the Committee.

Composition of the Audit Committee
The members of the Audit Committee at 30 June 2011 were:

Jonathan Bloomer - Chairman (Chartered Accountant) – appointed 18 September 2006

Chris Barling – appointed 26 August 2010

On an on-going basis, membership of the Committee is reviewed by the Chairman of the Committee at regular intervals and any recommendations for new appointments are made to the Nomination Committee for onward recommendation to the Board. Appointments are for a period of three years and are extendable by no more than two additional three year periods. The Audit Committee structure requires the inclusion of one financially qualified member and our Committee Chairman currently fulfils this requirement.

The Board expects the Audit Committee members to have an understanding of:

- the principles of financial reporting including applicable accounting standards and statements of recommended practice;
- key aspects of the Group's operations and systems of internal control;
- matters that influence or distort the presentation of accounts and key figures;
- the principles of, and developments in, company law, sector-specific laws and other relevant corporate legislation;
- the role of internal and external auditing and risk management;
- the regulatory framework for the Group's businesses; and
- environmental and social responsibility best practices.

The Board is satisfied that all of the Committee's members have a level of recent and relevant commercial and financial knowledge and experience to satisfy the provisions of the Code, by virtue of their having held various executive and non-executive roles in investment management and business management. The Group provides an induction programme for new Audit Committee members and on-going training to enable all of the Committee members to carry out their duties. The induction programme covers the role of the Audit Committee, its terms of reference and expected time commitment by members, and an overview of the Group's business, including the main business and financial dynamics and risks. New Committee members also meet some of the Group's staff, as appropriate. On-going training includes attendance at formal conferences, internal briefings and briefings by external advisers.

Meetings
The Audit Committee meets at least four times each year but more frequently when required, and met four times during this financial year. The attendance by each director is set out in the table on page 34. The Chairman, Head of Internal Audit, Group Compliance Director, Group Finance Director and Chief Executive are routinely invited to, and attend, the majority of meetings, although the Committee reserves the right to request any of these individuals to withdraw. The external auditors also attended all meetings, and periodically the Committee also meets privately with the external auditor and the Head of Internal Audit.

Overview of the actions taken by the Audit Committee to discharge its duties:
During the 12 months to 30 June 2011 the Audit Committee has undertaken the following key responsibilities:

- reviewed the financial statements in the 2010 reports and accounts and the interim report issued in February 2011. As part of this review the Committee received a report from the external auditor on its audit of the annual reports and accounts and review of the interim report;
- received updates from the Risk Committee and considered the output from the Group-wide process used to identify, evaluate and mitigate risks;
- reviewed the effectiveness of the Group's internal controls and disclosures made in the annual report and accounts on this matter;
- reviewed and agreed the terms of engagement of the audit work to be undertaken by the external auditors;
- considered a report from the external auditor on its observations of controls across the Group;
- agreed the fees to be paid to the external auditor for its audit of the

2011 accounts and interim report and reviewed the confirmation of auditor independence;
- undertaken an evaluation of the performance of the Internal Audit function and reviewed the level and nature of non-audit activity performed by Internal Audit;
- reviewed the qualification and experience of the Internal Audit department so that they can deliver an agreed programme of work;
- undertaken an evaluation of the performance of the external auditor;
- received reports from the Head of Internal Audit and Group Compliance Director on the work undertaken by Internal Audit and management responses to proposals made in the audit reports issued by the function during the year;
- reviewed the Group's Internal Capital Adequacy Assessment Process ('ICAAP') report;
- reviewed the Group's 'Living Will'; and
- reviewed its own effectiveness.

External Auditor

The Audit Committee is responsible for the development, implementation and monitoring of the Group's policy on external audit. The policy assigns oversight responsibility for monitoring the independence, objectivity and compliance with ethical and regulatory requirements to the Audit Committee, and day to day responsibility to the Group Finance Director. The policy states that the external auditor is jointly responsible to the Board and the Audit Committee and that the Audit Committee is the primary contact.

The Group's policy on external audit can be found on the Group's website at www.hl.co.uk. It sets out the categories of non-audit services which the external auditor will and will not be allowed to provide to the Group, subject to de minimis levels and Audit Committee Chairman approval. The level of non-audit fees during 2011 was £nil (2010: £nil).

The tenure of the current external auditor, Deloitte, is 5 years. The tenure of the current audit partner is 2 years. Having conducted a review of the independence and the effectiveness of the external auditor the Audit Committee has recommended to the Board that they are re-appointed.

Internal Audit Function

The Audit Committee is required to assist the Board to fulfil its responsibilities relating to the adequacy of the resourcing and plans of the Internal Audit department. Having conducted a review of the Internal Audit department the Committee is happy with its resources and plans. The previous Head of Internal Audit resigned on 31 March 2011, and a replacement has now been appointed. During the intervening period, the Compliance Director was responsible for the Internal Audit Function.

Remuneration Committee

The Remuneration Committee is responsible for the framework or broad policy for the fair remuneration of the executive directors of the Company and its subsidiaries as well as their performance management. The policy is determined with due regard to the interests of the Company and the Shareholders. The Committee makes recommendations to the Board. No director plays a part in any discussion about his or her own remuneration. The Remuneration Committee will meet at least twice per year and is governed by formal Terms of Reference, which are reviewed annually.

The Remuneration Committee met five times during this financial year. The attendance by each director is set out in the table on page 34. Chris Barling was appointed to the Committee on joining the Board on 26 August 2010. Jonathan Davis left the Committee when he stepped down from the Board on 31 December 2010. The Committee is chaired by Jonathan Bloomer and its other members at 30 June 2011 were Michael Evans and Chris Barling. None of the Committee has any personal financial interest (other than as shareholders), conflicts of interests arising from cross-directorships or day-to-day involvement in running the business.

The Committee's purpose is to:

- determine and recommend to the Board the remuneration policy for the executive Directors of the Company and of the subsidiary companies;
- ensure the level and structure of remuneration is designed to attract, retain, and motivate the executive Directors needed to run the Company and the Group; and
- monitor the level and structure of remuneration for senior management.

The performance measurement of the Directors and key members of senior management and the determination of their annual remuneration package are undertaken by the Committee. The Committee also ensures that the remuneration relationship between the Directors and senior employees of the Company is appropriate. Any exceptional remuneration arrangements for senior employees are advised to the Committee.

The Nomination Committee

The Nomination Committee leads the process for Board appointments, re-election and succession of directors and the Chairman. It is responsible for making recommendations to the Board concerning the composition and skills of the Board including proposed appointees to the Board, whether to fill any vacancies that may arise or to change the number of Board members.

The Committee is chaired by Jonathan Bloomer and its other members at 30 June 2011 were Michael Evans and Chris Barling. The Nomination Committee meets at least twice each year and the Committee met four times during the year. The attendance by each director is set out in the table on page 34.

We have a formal, rigorous and transparent procedure for the appointment of new directors to the Board. The process involves the Nomination Committee interviewing suitable candidates who are proposed by existing Board members, by an external search company, or via searches performed by the Company itself. Consideration will be given to ensure appointees have enough time available to devote to the role and that the balance of skills, knowledge and experience on the Board will be maintained. When the Committee has found a suitable candidate, the Chairman of the Committee will make a proposal to the whole Board and the appointment is the responsibility of the whole Board following recommendation from the Committee.

During the year the activities of the Committee have included:
- reviewing its terms of reference;
- reviewing the requirements for potential independent non-executive candidates;
- formulating of appropriate succession plans; and

- making recommendations to the Board with regard to the appointment of directors.

In light of our non-compliance with the Code in respect of the composition of the Board, the Committee has recommended the recruitment of a further two non-executive directors. As we have had great success in recruiting from our client base previously, the Committee have again decided it is appropriate to advertise the positions to a subset of our clients. An initial mailing of some 6,500 clients has resulted in approximately 110 high quality applications. Following the selection criteria laid down by the Committee, and after two rounds of interviews, we have identified two preferred candidates who we are in discussion with to potentially appoint in the near future.

Other committees

These committees form part of the Corporate Governance framework, but are not formally appointed non-executive committees of the Board. The two main Committees are the Executive Committee and the Risk Committee:

Executive Committee

The Board has delegated full authority to the Executive Committee subject to a list of matters which are reserved for decision by the full Board only. In particular, the Executive Committee is responsible to the Chief Executive for developing and monitoring every aspect of the Group's business on a continuing basis, for developing and implementing business strategy as agreed by the Board and ensuring that day-to-day operations are conducted in accordance with the relevant regulatory and statutory requirements.

The Executive Committee is chaired by the Chief Executive, Ian Gorham, and in his absence by Peter Hargreaves. During the year the committee also comprised the Group Finance Director, Tracey Taylor, and the following:

- Nigel Bence – Group Compliance Director
- Theresa Barry – Group Marketing Director
- Alex Davies – Managing Director, Corporate & Pensions
- Nick Marson – Vantage and Broking Operations Director; and
- Ian Hunter – Investment Marketing Director.

Michael Evans, Mark Dampier, Lee Gardhouse and Stuart Louden are invited to attend the Executive Committee. Andrew Christian was a member of the Committee until he left the Group on 2 August 2010, and Stephen Lansdown was a member until he became a non-executive director on 26 August 2010.

Biographies of the above are available on our website: www.hl.co.uk/investor-relations.

The Executive Committee meets at least quarterly but more frequently when required, and met four times during the current financial year. The attendance by each director is set out in the table below.

Risk Committee

The Risk Committee is chaired by the Group Compliance Director and also comprises the Group Finance Director, Chief Risk Officer and Head of IT. The Committee reports back to the Board and the Audit Committee on the management of the major risks facing the Group as assessed against the Group's Risk Appetite.

The Company also has a Treasury Committee, which oversees changes to the treasury management policy, an Investment Committee, which monitors the investments held in the HL multi-manager funds, as well as an Interest Rate Committee and an IT Steering Group.

Attendance at meetings during the year by members of the Board and each committee

	Board Meetings *	Audit Committee meetings	Remuneration Committee meetings	Nomination Committee meetings	Executive Committee meetings
Directors					
Ian Gorham (1)	3/3	-	-	-	4/4
Peter Hargreaves	3/4	-	-	-	3/4
Tracey Taylor	4/4	-	-	-	4/4
Michael Evans	4/4	1/1	5/5	4/4	-
Jonathan Bloomer	3/4	4/4	4/5	3/4	-
Jonathan Davis (2)	2/2	2/2	2/2	2/2	-
Chris Barling (1)	3/3	3/3	4/4	3/3	-
Stephen Lansdown	4/4	-	-	-	-
Executive Committee					
Theresa Barry	-	-	-	-	3/4
Nigel Bence	-	-	-	-	3/4
Alex Davies	-	-	-	-	4/4
Nick Marson	-	-	-	-	4/4
Ian Hunter	-	-	-	-	4/4
Andrew Christian (2)	-	-	-	-	1/1

* Where Board meetings have been held for a specific purpose to discuss matters at short notice, all Board members are sent papers and given the opportunity to comment by telephone or email if they are unable to attend at short notice. In addition to the four scheduled Board meetings during the year, one additional meeting was held to discuss and approve changes to the Company's share schemes.
(1) – attendance represents number of meetings held since date of appointment
(2) – attendance represents number of meetings held up until the date of resignation

Relations with shareholders

We are committed to maintaining good communications with our shareholders. We have a programme of communication with shareholders based on our financial reporting calendar including the interim and annual reports, Interim Management Statements, the AGM and the Investor Relations section of the corporate website at www.hl.co.uk.

In addition to this, the CEO, Group Finance Director and Chairman meet with institutional investors after results announcements and upon request on an ad-hoc basis during the year. They, together with the Company Secretary, provide a point of contact for investors who wish to raise queries or concerns. During the year we have actively sought the views of major investors on our recruitment process for non-executive directors and have discussed remuneration policy.

Jonathan Bloomer, our Senior Independent Non-Executive Director, was also available to meet key investors.

Following dialogue with individual institutional shareholders, the Chairman, Chief Executive and the Group Finance Director ensured the Board was fully briefed on shareholders' views such that any issues or concerns were fully understood and considered by the Board. Analyst and broker briefings are regularly provided to the Board. In addition, the Group's brokers sought feedback from investors following the 2010 final and 2011 interim results, and this feedback was reported to the Board.

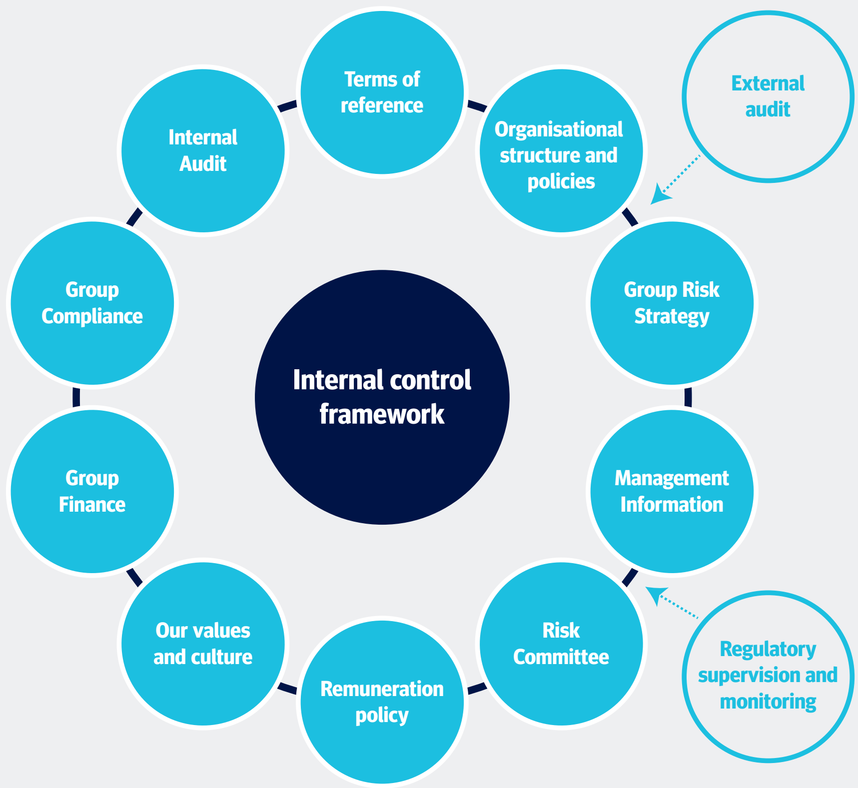
All Directors made themselves available to meet shareholders at our AGM and they value the opportunity of welcoming individual shareholders and other investors to communicate directly and address their questions.

To ensure compliance with the Code, at all general meetings separate resolutions are proposed on each discrete subject. Resolutions have been passed on a show of hands, and proxy votes for, against and withheld for each resolution are displayed at the meeting. Following the AGM, the results of voting are published through a Regulatory Information Service and on our website.

Internal controls

Through the monitoring processes set out below, the Board has conducted a review of the effectiveness of the system of internal control during the year ended 30 June 2011.

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and provide reasonable but not absolute assurance as to the effectiveness of the safeguards protecting the business against the risk of material error, loss or fraud. In that context, the review, in the opinion of the Board, did not indicate that the system was ineffective or unsatisfactory and the Board is not aware of any change to this status up to the date of approval of this Annual Report. However, in acknowledgement that the business and the risks it faces are continually evolving and as part of a process of continuous improvement, steps are being taken to further embed internal controls and risk management into business operations.



Internal control framework

The Board is responsible for the Group's systems of internal control and risk management and for reviewing their effectiveness. The key features of which are outlined in the chart above and detailed below:

Terms of Reference

The Board operates within clearly defined terms of reference, and it reserves certain matters for its own consideration and decision. It has established appropriate committees to oversee control activities. These committees also have clearly defined terms of reference. The Board and Committee processes are fundamental to the effectiveness of our internal controls.

Our business performance is monitored closely by the Board and senior management, in particular monitoring of:

- progress towards strategic objectives;
- financial performance, within a framework including forecasting, financial reporting, reviewing variances against plan and taking appropriate management action; and
- risk management processes.

Organisational structure and policies
The Board regularly reviews the Group's organisational structure to seek to ensure that clearly defined lines of responsibility exist, with appropriate delegation of authority. Periodic reviews take place to ensure that staff of the right calibre are employed, particularly in key roles. Roles and responsibilities are clearly communicated to each member of staff within their 'Apportionment forms'. These are reviewed annually and updated if necessary.

The Board regularly reviews the Group's policies. The Group's Treasury function operates within a well-defined policy designed to manage the Group's liquidity arrangements and to manage its exposure to risks, such as interest rate risk and counterparty risk.

Our public interest disclosure (Whistleblowing) policy encourages employees to raise concerns about anything that they suspect is fraudulent, corrupt, dangerous or seriously wrong. They can raise concerns on a confidential basis, enabling proportionate and independent investigation to be undertaken.

We thoroughly investigate any allegations of misconduct and irregularity and consider the implications for our control environment. Due to the nature of our business, Hargreaves Lansdown are subject to attempted fraud on a regular basis. Strict processes and controls mean that we are able to identify attacks and deal with them appropriately on a timely basis. We are continually looking at ways of making our clients' transactions with us more secure and have dedicated resource within our Group Compliance team whose focus is on managing client fraud risk.

Group Risk Strategy
The Group Risk Strategy requires senior managers to identify, evaluate and manage risks in their business units. Regular meetings are held between department managers and the Chief Risk Officer to ensure that risk management remains high on the agenda of the business. Target dates for resolution of issues are continually monitored. A summary of significant risks is provided within the Business Review.
Risk management processes within the Group accord with the Turnbull guidance, and are supported by reports from the Internal Audit function which include focus on significant risks faced by the Company.

Management information
Detailed packs of key information are circulated monthly to our senior management and Non-executive Directors. This includes key financial and operational performance indicators.

Risk Committee
The Risk Committee reports to the Board and the Audit Committee on the management of the major risks facing the Group as assessed against the Group's Risk Appetite.

Remuneration policy
Risk management is imbedded into the Apportionment Forms of every employee and awareness and mitigation of the risks faced by the Company are key factors used to evaluate individual performance. This policy creates an environment which ensures excessive risk taking is not rewarded.

Employees also have the opportunity to invest in regular Save As You Earn share schemes as we believe that nothing better will encourage employees to look after the long-term future of the Company than being shareholders themselves. Similarly, exceptional performance by key employees and senior managers will be rewarded with the grant of executive share awards which we believe will not only incentivise but will also assist retention of key members of staff.

Our values and culture
Any system of internal control is dependent on the people operating it. 'Our Culture' defines what we expect from our people. We pride ourselves on the culture which exists within the Company. We have a 'one-firm' mentality which helps everyone take responsibility for the whole of the business. We have a saying which says ".. success comes from putting the client first, Hargreaves Lansdown second and your department third." This engenders service levels which many other companies can only aspire to and ensures that the requirements of our clients are foremost in our employees' decision making process.

Group Finance
The Group Finance department manages our financial reporting processes to ensure the information which enables our Board to discharge its responsibilities is provided on a timely basis. It ensures cost controls are in place and that the business efficiently manages its resources. It also produces a financial forecast based on the strategic and operational plans of the business which is continuously reviewed to determine the likely year-end outcome and is used to plan and review regulatory capital requirements.

Group Compliance
Our Compliance function manages relationships with the Group's key regulators alongside identifying major compliance and regulatory risks. Our Money Laundering Reporting Officer (MLRO) forms part of the Compliance team and is responsible for ensuring we have suitable anti-money laundering (AML) procedures and controls. The MLRO is also responsible for ensuring adequate AML training for all staff. The MLRO specifically considers the risk of loss through financial crime and the controls in place to mitigate the risk of such loss.

Internal Audit
Our Internal Audit function reports to the Audit Committee on the effectiveness of key internal controls.

External audit and regulatory supervision
The majority of the activities of the Group, including the systems of business control, are subject to supervision by the Financial Services Authority. The Group is required on a regular basis to submit detailed prudential and statistical returns covering all areas of its business and meets regularly with its supervisors, conducting the relationship in an open and constructive manner.

In addition to the above, the Audit Committee also receives reports from our external auditors.

Directors' report – other information

The Directors' report and business review

Pages 1 to 39 inclusive of this Annual report consist of a Directors' report and business review that has been drawn up and presented in accordance with, and in reliance on, English company law. The liabilities of the Directors in connection with that Directors' report and business review shall be subject to the limitations and restrictions provided by the Companies Act 2006.

Forward-looking statements

The Directors' report is prepared for the members of the Company and should not be relied upon by any other party or for any other purpose. Where the Directors' report includes forward-looking statements, these are made by the Directors in good faith based on the information available to them at the time of their approval of this report. Consequently such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying such forward-looking statements and information.

Principal Group Activities

Hargreaves Lansdown plc is the parent company of a group of companies which offers a range of investment products, investment services, financial planning and advice to private investors and advisory services to companies in respect of group pension schemes. Further details of the business activities are contained in the Operational review on pages 17 to 21.

The subsidiary undertakings of the Group during the year are listed in note 15 to the financial statements. The principal trading subsidiaries, Hargreaves Lansdown Asset Management Limited, Hargreaves Lansdown Stockbrokers Limited, Hargreaves Lansdown Fund Managers Limited and Hargreaves Lansdown Pensions Direct Limited, are authorised and regulated by the Financial Services Authority.

Group Results and Company Dividends

Operating profit for the year ended 30 June 2011 was £124.4 million (2010: £85.4 million). The Group profit after taxation for the year ended 30 June 2011 was £91.9 million (2010: £61.3 million).

Dividends are shown in note 10 to the financial statements. In addition to the first interim dividend of 4.5 pence per share, we have declared a second (final) ordinary dividend of 8.41 pence per share, taking the total 2011 ordinary dividend to 12.91 pence per share. This total dividend payout equates to 65% (2010: 65%) of post-tax profits. Our policy is not to accumulate excess cash going forward and we are pleased to declare a special final dividend of 5.96 pence per share. This equates to a further 30% (2010: 25%) of post-tax profits. Any special dividend in future years will depend upon future cash requirements and therefore may vary.

Client Service

Hargreaves Lansdown aims to ensure that we treat our clients fairly in every aspect of our dealings with them and to provide a first class service at all times. Client service is central to our corporate culture. We strive to provide clear information to all our clients and aim to ensure that our services and investment performance meet our clients' expectations. Service improvements are designed and targeted appropriately and we aim to ensure that any advice we provide is suitable for our clients. We never impose unreasonable barriers to prevent clients from switching their investments or from making a complaint.

If clients ever feel the need to complain, our complaints handling team carefully investigates our client's complaint and endeavour to provide them with a fair resolution. We benchmark our performance in treating clients fairly against statistics published annually by the Financial Ombudsman Service for the industry. The results for the 2011 financial year compared to the last figures published by the Ombudsman show that Hargreaves Lansdown is achieving excellent results. Complaints have fallen despite an increase in client numbers.

Share Capital

The Company's shares are listed on the main market of the London Stock Exchange. The Company's authorised and issued share capital during the year and as at 30 June 2011 is shown in note 21. The ordinary shares rank pari passu in all respects. Save as agreed at the Annual General Meeting of the shareholders, the ordinary shares have pre-emption rights in respect of any future issues of ordinary shares to the extent conferred by Section 561 of the Companies Act.

Restrictions on Transfer of Shares

At the time of the flotation of the Company during May 2007, the then directors of the Company and directors of the subsidiary companies gave undertakings not to offer, sell or contract to sell, pledge or otherwise dispose of ordinary shares (directly or indirectly) which were held by them on Admission to the main market of the London Stock Exchange and not sold as part of the flotation, other than in certain limited circumstances. The restrictions have ceased to apply in their entirety following the 2011 results announcement. The restrictions in place during the year were as follows:

- Following the results announcement for the financial year of the Company ending on 30 June 2010 but prior to the Results Announcement for the financial year of the Company ended on 30 June 2011, to such number of Shares as is equal to 25 percent of the total number of Locked-in Shares.

Beneficial owners of shares with 'information rights'

Beneficial owners of shares who have been nominated by the registered holder of those shares to receive information rights under section 146 of the Companies Act 2006 are required to direct all communications to the registered holder of their shares rather than to the Company's registrar, Equiniti Registrars, or to the Group directly.

Directors Interests

During the period covered by this report, no director had any material interest in a contract to which the Company or any of its subsidiary undertakings was a party other than their own service contract, requiring disclosure under the requirements of the Companies Act 2006 except in respect of the rental of the office premises at Kendal

House as disclosed in note 26 to the financial statements.

The directors who held office at 30 June 2011 had the following interests (including beneficial interests) in the shares of the Company. These interests are exclusive of any interests under Share Options. Details of Share Options which have been granted to directors as at the date of this report pursuant to employee share schemes are set out in the Directors' Remuneration report.

	Number and % of Ordinary Shares at 30 June 2011	Number and % of Ordinary Shares at 30 June 2010
Non-executive directors		
J Bloomer	15,625 (<0.01%)	15,625 (<0.01%)
C Barling	-	-
M Evans	15,625 (<0.01%)	15,625 (<0.01%)
S Lansdown	95,500,000 (20.13%)	109,060,843 (22.99%)
Executive directors		
I Gorham	-	-
P Hargreaves	152,717,606 (32.20%)	152,717,606 (32.20%)
T Taylor	721,441 (0.15%)	721,441 (0.15%)
Total	248,970,297 (52.49%)	262,531,140 (55.35%)

Substantial Shareholdings

As at 1 September 2011, the Company has not been notified of any changes in shareholdings amounting to more than 3 per cent of the issued share capital of the Company.

Model Code

The Company has its own internal dealing rules which extend the FSA Listing Rules Model Code provisions to all employees.

Supplier Payment Policy

The Company's policy, which is also applied by the Group, is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by the terms of payment. Trade creditors of the Group at 30 June 2011 were equivalent to 19 (2010: 19) days' purchases, based on the average daily amount invoiced by suppliers during the year.

Employment Policies

Health and welfare

Hargreaves Lansdown is committed to providing a safe and healthy environment in which its employees can work. We use Health and Safety consultants on an ongoing basis to ensure that standards are maintained. A new policy was released in August 2010, following the move to our new offices, and is available to all staff via our intranet.

Employee consultation

Hargreaves Lansdown actively encourages employee involvement and consultation and places emphasis on keeping its employees informed of the Company's activities and financial performance by such means as the employee intranet and publication to all staff of relevant information and corporate announcements.

Equality and diversity

Hargreaves Lansdown recognises, respects and values difference and diversity. We are an equal opportunities employer and it is our policy to ensure that all job applicants and employees are treated fairly and on merit regardless of their race, colour, nationality, ethnic origin, sex (including gender reassignment), parental, marital or civil partnership status, disability, religion or belief, sexual orientation, age or trade union membership.

The Group seeks to ensure all employees and applicants to its businesses are given equal opportunity in all aspects of employment to ensure that the Group's businesses attract, retain and promote the best available talent. All the businesses work to embed these principles in all aspects of their management practices and to ensure that this is evident to employees in their day-to-day work. We offer tangible support to our people, which includes making arrangements for disabled employees including those who may have become disabled during the course of their employment with us. A full assessment of the individual's needs is undertaken and reasonable adjustments are made to the work environment or practices in order to assist those with disabilities.

Annual General Meeting

At the 2011 Annual General Meeting, the following two items of special business will be tabled:

i) Authority to purchase own shares: The Company was granted authority at the AGM in 2010 to purchase its own shares up to an aggregate value of 10% of the issued nominal capital. This authority expires at this year's Annual General Meeting and a special resolution will be proposed for its renewal.

ii) Directors' authority to allot shares and waiver of pre-emption rights: Resolutions are to be proposed as special business at the AGM on 26 November 2011 to enable the directors to allot unissued shares and, subject to the limits therein contained, to allot shares for cash other than to existing shareholders in proportion to their shareholdings.

The resolution enabling directors to allot unissued shares will be limited to the allotment of shares up to a maximum nominal amount of £202,725.50, which represented the difference between the Company's authorised and issued share capital at 7 September 2011. The directors do not have any present intention of exercising such authority and the authority will expire at the conclusion of the next AGM after the passing of the proposed resolution.

The resolution enabling the directors to allot shares other than to existing shareholders in proportion to their shareholdings is limited to the allotment of shares up to a maximum nominal value of £94,863.72, which represents 5% of the total ordinary share capital in issue as at 7 September 2011.

Both of these resolutions seek authorities which are in accordance with the current guidelines issued by the Investment Committees of the Association of British Insurers and the National Association of Pension Funds.

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Going concern

The Directors have assessed, in the light of current and anticipated economic conditions, the Group's ability to continue as a going concern. The principal risks that the Group is challenged with have been set out on pages 22 to 24 along with how the Directors mitigate these risks in the current economic climate. The Group's business activities, financial position, cash flows, liquidity position, together with the factors likely to affect its future development, performance and position are set out in the Business Review. In addition, note 27 to the Financial Statements includes the Group's policy on capital management, its exposure to financial risks and its policies and processes to manage those risks.

The Group maintains on-going forecasts that indicate profitability in 2011/12 and beyond. Stress test scenarios are undertaken, the outcomes of which show that the Group has adequate capital resources for the foreseeable future even in extreme 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.

After reviewing the Group's financial forecasts including an assessment of regulatory and working capital, the Directors are confident that the Company and the Group have adequate financial resources available to continue in operational existence for the foreseeable future. The going concern basis has continued to be adopted in the preparation of the financial statements.

Disclosure of information to auditor

Each of the persons who is a director at the date of approval of this annual report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that they ought to have taken as a director, in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

By order of the Board

Judy Matthews
Company Secretary
13 September 2011

Directors' Remuneration Report

This report deals with the remuneration policies and the work of the Remuneration Committee in the year ended 30 June 2011.

This report has been prepared in accordance with the Companies Act 2006, Statutory Instrument 2008/410 The Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008 (the Regulations) and to meet the requirements of the UK Listing Authority's Listing Rules. The report describes how the principles laid out in the UK Corporate Governance Code (the Code) are applied, and provides explanation for the areas where we do not comply.

The Regulations require our external auditor to report to shareholders on the audited information within this report and to state whether, in their opinion, the relevant parts of the Report have been prepared in accordance with the Companies Act 2006. The audited information is clearly shown within the report.

As required by the Act, a resolution to approve the report will be proposed at the Annual General Meeting of the Company. The Corporate Governance statement on pages 29 to36 contains information regarding the responsibilities of the Committee and its membership.

UNAUDITED INFORMATION

Remuneration policy for Directors of the Company and subsidiary companies

Our remuneration policy is designed to attract, motivate and retain directors of the calibre needed to maintain the Group's position as a market leading financial services company. The policy rewards Directors for enhancing shareholder value and acting in the long-term interests of the Company.

We believe that a significant proportion of total remuneration should be performance-related. The Company's policy is therefore to pay moderate basic salaries but to give Directors and senior managers the opportunity to earn performance-related bonuses for exceptional performance. Long-term retention is achieved through participation in share option and share award schemes as well as direct share ownership. The policy has been extremely successful to date with average service of Directors currently being 16 years.

Executive remuneration structure in 2010/11

In the year ended 30 June 2011, there were four main elements of the remuneration package for Directors and senior management:

- basic annual salary and benefits-in-kind;
- annual bonus payments;
- share option and share awards; and
- pension arrangements.

These arrangements are described below. This remuneration structure will remain in place during the 2011/12 financial year.

Basic annual salary and benefits-in-kind

Basic annual salary is designed to provide adequate but not generous remuneration. Historically Directors' salaries have been set well below the market mean.

A Director's basic salary is reviewed annually by the Committee prior to the beginning of each financial year and upon changes to position or responsibility. The Committee considers salaries throughout the Group as a whole, survey data, information provided by advisers and up-to-date information on a comparator group of companies in the financial sector.

All staff and Directors are entitled to life assurance cover of three times their salary and, subject to the rules of the scheme, permanent health insurance. The executive Directors may also receive certain limited benefits-in-kind.

Annual Bonus payments and performance conditions

The Directors' service contracts provide that the executives may be paid a discretionary bonus for each financial year of the Company. Bonus payments are non-pensionable.

Bonuses are paid based on two performance criteria, being performance of the Hargreaves Lansdown Group and Directors' achievement against individual personal objectives.

The Group performance conditions include the Group's success in gathering profitable client assets, improving and maintaining long-term profitability, robustness, sustainability and scalability of operations, risk management and compliance and client satisfaction. Personal performance conditions consist of both generic requirements for all Directors and role-specific criteria. Generic requirements include setting direction, executing new initiatives, improving and protecting the client base, cost control and process improvement. No fewer than three role-specific objectives are also assessed.

Bonuses will be materially affected if there is a failure to meet either group or individual performance conditions either in whole or part, with zero bonus paid should the Committee consider it appropriate.

The first £300,000 of the total rewards amount (being salary and annual bonus) is paid in cash. For the excess of total rewards, after salary, of over £300,000, Directors can choose to either take the balance as an immediate cash bonus or to waive bonus in favour of deferred share options or JSOP shares. Where the minimum share exposure or deferred rewards criteria is not satisfied, rewards must be taken as deferred share options, JSOP shares or deferred cash bonus. This criteria is described elsewhere in this report.

As the Group's profits quickly turn into cash, the risk of unexpected losses arising in the future from unrealised or deferred liabilities is low and other elements of the remuneration policy ensure long-term behaviour. The committee therefore considers there is no formal requirement for a bonus clawback provision.

Annual bonus pool and bonus cap
The Committee believes that any incentive compensation awarded should be tied to the interests of the Company's shareholders. The annual bonus pool available for directors is based on a percentage of profit before tax. This percentage is not fixed in advance and is determined having taken account of the results of the Company, particularly assessed against Earnings Per Share (EPS). Due regard is also taken of unusual rises or falls in the markets which would artificially raise or lower the profit of the Company in any given year.

The Committee does not consider it appropriate to set a formal upper limit on individual discretionary awards. Firstly, the total bonus pot to be distributed is determined by the Committee with due regard to the results of the Company and the growth in EPS. Secondly, by individually considering each director's performance against his or her personal objectives, we ensure that payment is proposed only where performance merits an award. Given these controls, the success of the Company in motivating and retaining Directors and historic restraint in bonus payments, the Committee believes retaining ultimate discretion is in the best interests of the Company. This avoids the company being put at the mercy of arbitrary formulaic criteria that may have potentially unintended consequences.

Over the previous three years, bonuses for executive and subsidiary Directors have ranged from nil to 450% of salary, and from nil to £800,000. These numbers exclude Peter Hargreaves as the reduction in his salary to £60,000 distorts the percentage. His bonus was £440,000 for the year, which was 870% of his basic salary. The Remuneration Committee uses the above methods to determine bonus eligibility and entitlement and will award a nil bonus where it feels performance from any director has been insufficient. As a percentage of revenue, variable remuneration in the form of bonuses was 2.27% in the year (2010: 0.86%). The equivalent figures for previous years were 2.58% in 2009 and 2.26% in 2008.

In determining the Directors' remuneration and the remuneration structure for the current financial year, the Committee consulted Peter Hargreaves, Stephen Lansdown and Ian Gorham about its proposals, although no Director was involved in discussions regarding his own remuneration. These Directors may attend meetings at the invitation of the Committee except when their own remuneration is being discussed.

Share option and award incentives

The Directors are entitled to participate in the SAYE share option scheme and Share Incentive Plan (SIP) on the same terms as all other employees. Benefits received under share option and award incentive schemes are not pensionable.

The Company operates an Executive Share Option Scheme and an Executive Joint Share Ownership Plan (JSOP) for the benefit of the Directors and senior management of the Company and subsidiary companies. The exercise price of the options granted under the share option schemes is equal to the market value of the Company's shares at the time the options are granted. Under the JSOP, Directors pay an agreed amount for their interest in the shares at the outset.

Dilution
The Employee Benefit Trust (EBT) is well funded and holds sufficient market purchased shares to satisfy all share awards granted prior to 31 December 2010. Since that date, 1,022,473 share options have been granted to staff and Directors which are not hedged by shares held by the EBT. It is currently intended that these options and any granted under later awards will be met by the issue of new shares within the limits agreed by shareholders when the plans were approved, These limits comply with the Association of British Insurers' guidelines restricting dilution from employee share plans. The overall limits under the guidelines are that no more than 10% of a Group's issued share capital may be used in any 10-year period. Within the 10% limit, up to 5% may be used for discretionary share plans.

The Committee will review the hedging and dilution position of the Company prior to making grants of new share awards.

Minimum requirements for exposure to Hargreaves Lansdown shares or otherwise deferred rewards
Directors are also required to accumulate minimum personal holdings in Hargreaves Lansdown plc shares, obtain exposure to the shares through share options or JSOP shares, or hold a minimum level of deferred bonus.

Each executive must accumulate a minimum shareholding in the Company of 500,000 shares (including JSOP shares and options to acquire shares) or £250,000 in deferred cash bonus. Until that condition is satisfied, reward amounts (being salary and annual bonus) over £300,000 must be taken as JSOP shares, share options or as a deferred cash bonus. The Committee believes that the requirement for either a minimum shareholding or deferred bonus aids retention and ensures that the interests of management and shareholders in the success of the Group are closely aligned.

Requirements may be varied for new Directors or at the discretion of the Committee. All Directors complied with the requirement at 30 June 2011.

Share Options: Ensuring suitable grants and performance conditions
Awards of share options or JSOP shares are normally at the election of Directors through bonus waiver. Alternatively awards of share options or JSOP shares may be made by the Remuneration Committee in recognition of the demonstrable high value of a Director to the Company and/or the Company's need to ensure retention. As such, the Committee is of the view that these awards are either in recognition of past performance, for retention purposes, or at the election of Directors through bonus waiver (in which case they have effectively been paid for by the Director). Also taking into account that shares or options are offered at no discount, the Committee believes that the application of performance criteria is inappropriate in any of these scenarios. Directors can only benefit if there is further growth in the value of the Company's share price over a sustained period and hence their interests are clearly aligned with shareholders.

Pension arrangements

No Directors or staff participate in a defined benefit pension scheme. The Group operates its own Group Self

Invested Personal Pension (the "GSIPP"). The GSIPP is non-contributory and allows staff to take more control of their pension planning. The Company contributes 4% of salary to the scheme which applies to Directors and staff. Employees wishing to make personal contributions to the GSIPP can do so via 'salary exchange' ensuring that they benefit from the maximum, immediate relief from income tax and National Insurance. Staff and Directors may opt out of the scheme should they wish.

Executive Directors' contracts

The Company's policy is that executive Directors should have contracts with an indefinite term and a maximum of one year's notice. Accordingly, all Directors currently have contracts which are subject to one year's notice by either party. The Company may at any time exercise its discretion to pay executives in lieu of the notice period. At 30 June 2011, the contractual amount which may be payable to the executive Directors under the payment in lieu of notice clauses is £710,000. The details of the Directors' contracts are summarised in the table below:

Name of director	Contract date	Notice period
I Gorham	2 September 2010	12 months
P Hargreaves	5 April 2007	12 months
T Taylor	1 November 2008	12 months

Hargreaves Lansdown recognises that its Directors may be invited to become non-executive directors of other companies. Such non-executive duties can broaden experience and knowledge which can benefit the Company. Subject to approval by the Board, Directors are allowed to accept non-executive appointments and retain the fees received, provided that these appointments are not likely to lead to conflicts of interest. Peter Hargreaves currently receives fees of £45,000 p.a. in respect of his duties as a non-executive of ITM Power plc.

Executive Directors' contracts of service which include details of remuneration will be available for inspection at the Annual General Meeting.

Non-Executive Directors' contracts

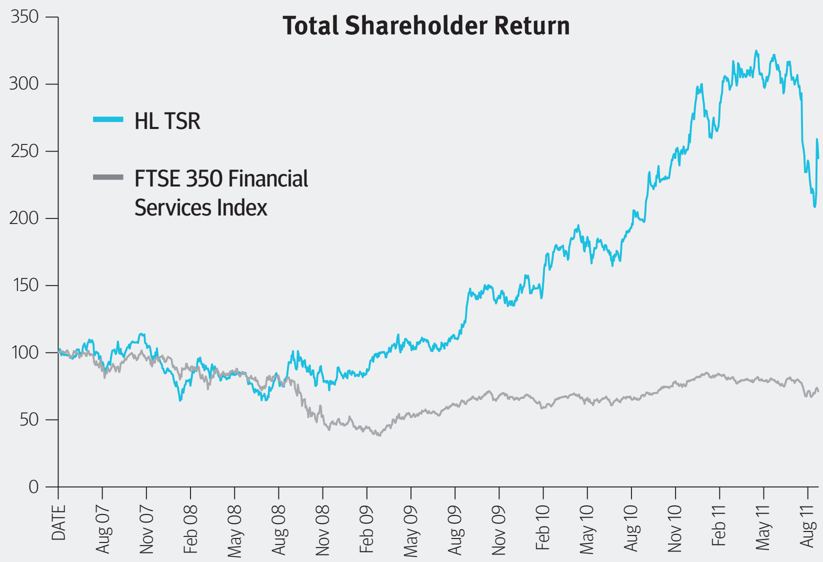
The Company's policy is that that non-Executive Directors should have a fixed term contract with a three month notice period. Details of the non-executive Directors contracts for services are as follows:

Name	Commencement Date:	Notice Period	Notes
Michael Evans	1 September 2006	3 months	1
Jonathan Bloomer	18 September 2006	3 months	2
Stephen Lansdown	26 August 2010	3 months	
Chris Barling	26 August 2010	3 months	

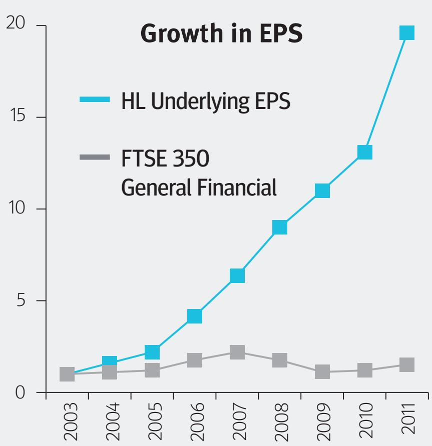
Notes:
1) Michael Evans' contract for the position of non-executive Chairman took effect from 1 December 2009
2) Jonathan Bloomer's initial three year contract was renewed for a further three years from 18 September 2009

Performance graph

The following graph shows the Company's performance, measured by Total Shareholder Return (TSR) i.e capital growth and dividends paid, compared with the performance of the FTSE 350 Financial Services Index during the period since flotation.



This graph shows the value of £100 invested in Hargreaves Lansdown plc shares on 15 May 2007 (admission to the Official List) comparedto £100 invested in the FTSE 350 Financial Services Sector



As the Company was not listed on a stock exchange prior to May 2007, a comparison of TSR prior to 15 May 2007 has not been possible due to the absence of a quoted share price.

The Company's performance measured using underlying adjusted earnings per share (EPS) has also been compared against the performance of the FTSE 350 General Financial Index.

Outcome of the 2011 remuneration review

The Remuneration Committee was delighted by the strong results of the Company delivered by the new CEO and his executive team. The strong profits, growth in EPS and increased dividends achieved in trying market conditions reflect very well, and the Committee felt this warranted improved rewards compared to the previous year.

During the year, the Remuneration Committee has approved to increase the salary payable to Ian Gorham, on his appointment to Chief Executive Officer, from £300,000 to £450,000. No increases were made to the salaries of Peter Hargreaves or Tracey Taylor.

After a number of years of holding the salaries payable to Directors of subsidiary companies unchanged, the Committee agreed to increase the minimum salary from £150,000 to £200,000 per annum from 1 June 2011, to reflect the increasingly challenging environment in which the executive team is working, and the continuing strong performance of the Group in difficult economic times.

The Committee has also agreed the level of bonuses to be paid to Executive Directors and subsidiary Directors, and has considered the level of the payments proposed for staff more generally. The total bonus paid to Executive directors and subsidiary Directors, as a percentage of salary, was 223% (2010: 54%). Note that in 2010, Peter Hargreaves and a subsidiary director waived their entitlement to a bonus, and one other subsidiary director was awarded no bonus. Taking these factors into account, a more comparable percentage for 2010 would be 85%.

Ian Gorham was awarded a total of 1,300,000 unapproved share options on his appointment to Chief Executive Officer. These share options are intended to align his interests with those of our shareholders. The options have a three year vesting period and, in line with our policy detailed above, are subject to no further performance conditions. Other than options taken via bonus waiver (total of 655,528 unapproved share options), no other share options or share awards were granted to Executive or subsidiary Directors during the year.

Non-Executive directors

All non-executive directors have specific terms of engagement, which are available for inspection, and their remuneration is determined by the Board within limits set by the Articles of Association and based on independent surveys of fees paid to non-executive directors of similar companies.

Each non-executive director, other than Stephen Lansdown, is a member of the Remuneration Committee, Nomination Committee and Audit Committee. Mike Evans, as Chairman, is a member of the Remuneration and Nomination Committees only. The range payable to non-executive directors has also been reviewed and the range extended from £30,000 to £42,500 p.a, dependent on experience, which includes a fee for membership of each committee. Additional fees are payable to Jonathan Bloomer for chairmanship of the three committees. Following review of his performance in his first year, the fees payable to Chris Barling have also been reviewed and from 1 August 2011 are increased from £30,000 to £42,500. Non-executive directors cannot participate in any of the Company's share option schemes and are not eligible to join the Company's pension scheme.

Appointments are for a fixed term of three years from the commencement date unless terminated by either party on three months' written notice or by the Company at any time with immediate effect on payment in lieu of notice.

Non-executive directors are entitled to reimbursement of all reasonable and properly documented travel, hotel and other incidental expenses incurred in the performance of their duties and the Company maintains appropriate directors' and officers' liability insurance for their benefit.

Audited information

The following information is provided in respect of directors who served during the year ended 30 June 2011:

Aggregate directors' remuneration

The total amounts for directors' remuneration were as follows:

	2011 £'000	2010 £'000
Emoluments	2,197	1,040
Pension contributions	47	32
Share-based payments	763	114
Gains on exercise of share options	-	-
	3,007	1,186

Directors' pension contributions

Two directors were members of a money purchase scheme during 2011 (2010: 1). Contributions paid by the Company were:

	2011 £	2010 £
Ian Gorham	18,384	-
Tracey Taylor	28,538	32,206
	46,922	32,206

Directors' emoluments

Name of director	Fees/ Basic salary £	Benefits in kind £	Performance Bonuses £	2011 Total £	2010 Total £
Current Executive directors					
Ian Gorham 1	367,500	-	666,667	1,034,167	-
Tracey Taylor	190,645	204	250,000	440,849	296,906
Peter Hargreaves	50,167	20,572	440,000	510,739	405,917
	608,312	20,776	1,356,667	1,985,755	702,823
Former Executive directors					
Stephen Lansdown	-	-	-	-	186,494
					186,494
Non-Executive directors					
Michael Evans	90,000	-	-	90,000	67,083
Jonathan Bloomer	55,000	-	-	55,000	53,897
Chris Barling	25,460	-	-	25,460	-
Stephen Lansdown	25,460	-	-	25,460	-
	195,920	-	-	195,920	120,980
Former Non-Executive directors					
Jonathan Davis	15,000	-	-	15,000	30,000
	15,000	-	-	15,000	30,000
Aggregate emoluments	**819,232**	**20,776**	**1,356,667**	**2,196,675**	**1,040,297**

[1] Emoluments for Ian Gorham are shown for the 10 months following appointment to the Board and include annual performance bonus accrued for the period. Emoluments for Chris Barling and Stephen Lansdown are shown for the 10 months following appointment to the Board as non-executive directors. Emoluments for Jonathan Davis are included up to date of resignation Directors' share options and share awards

All of the executive directors of the Group as at 8 November 2006, with the exception of Peter Hargreaves and Stephen Lansdown, were each awarded 12,650 Ordinary Shares on 8 November 2006 under the terms of the HMRC approved Share Incentive Plan (SIP). At the award date the HMRC approved market value was £0.24 per share. These shares mature on 8 November 2011 and will be transferred to each director. The figures shown below are exclusive of such awards. Options granted under the share option and share incentive schemes are not subject to performance criteria.
The closing market price of the ordinary 0.4 pence shares at 30 June 2011 was £6.075 and the range during the year to 30 June 2011 was £3.174 to £6.465.

The interests of the directors who served during the year in options to acquire shares in Hargreaves Lansdown plc are as follows:

Name of director	Type of scheme	At 1 July 2010	Exercised	Granted	Purchased	Lapsed	At 30 June 2011	Exercise Price	Expiration Date	Date from which exercisable
I Gorham	Exec Scheme	10,569	-	-	-	-	10,569	£2.84	Oct 2019	Oct 2012
	Exec Scheme	239,431	-	-	-	-	239,431	£2.84	Oct 2019	Oct 2012
	Exec Scheme	-	-	500,000	-	-	500,000	£4.09	Sept 2020	Sept 2013
	Exec Scheme	-	-	800,000	-	-	800,000	£4.58	Oct 2020	Oct 2013
	JSOP	750,000	-	-	-	-	750,000	-	Dec 2019	Dec 2012
T Taylor	Exec Scheme	15,355	-	-	-	-	15,355	£1.95	Mar 2019	Mar 2014
	SAYE	22,550	-	-	-	-	22,550	£0.55	Nov 2012	May 2012
	SAYE	2.373	-	-	-	-	2,373	£1.75	Mar 2014	Oct 2013
	JSOP	1,000,000	-	-	-	-	1,000,000	-	Dec 2019	Dec 2012

Approval
This report in its entirety has been approved by the Remuneration Committee and the Board of Directors and signed on its behalf by

J Bloomer
Chairman of the Committee

Directors' Responsibilities Statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have also chosen to prepare the parent company financial statements under IFRSs as adopted by the EU. Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the management report, which is incorporated into the directors' report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board

Ian Gorham
Chief Executive
13 September 2011

Tracey Taylor
Group Finance Director
13 September 2011

Independent Auditor's Report to the Members of Hargreaves Lansdown plc

We have audited the financial statements of Hargreaves Lansdown plc for the year ended 30 June 2011 which comprise the Consolidated Income Statement, the Consolidated and Company Statements of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated and Company Balance Sheets, the Consolidated and Company Statements of Cash Flows and the related notes 1 to 27. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2011 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statement, contained within the Directors' Report, in relation to going concern;
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

Simon Cleveland
(Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and
Statutory Auditor
Bristol, United Kingdom
13 September 2011

Consolidated Income Statement

	Note	Year ended 30 June 2011 £'000	Year ended 30 June 2010 £'000
Revenue	4	**207,904**	158,970
Total operating income		**207,904**	158,970
Administrative expenses		**(83,459)**	(73,588)
Operating profit		**124,445**	85,382
Investment revenue	8	**1,496**	854
Other gains		**72**	59
Profit before tax		**126,013**	86,295
Tax	9	**(34,066)**	(25,020)
Profit for the financial year	6	**91,947**	61,275
Attributable to:			
Equity holders of the Company		**91,820**	61,266
Non-controlling interest		**127**	9
		91,947	61,275
Earnings per share			
Basic earnings per share * (pence)	11	**19.8**	13.2
Diluted earnings per share * (pence)	11	**19.6**	13.1

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

* Underlying earnings per share, excluding the impact of investment gains and one-off costs relating to the additional FSCS levy in 2011 and office costs in 2010, are shown in note 11.

Consolidated and Company Statements of Comprehensive Income

	Group		Company	
	Year ended 30 June 2011 £'000	Year ended 30 June 2010 £'000	Year ended 30 June 2011 £'000	Year ended 30 June 2010 £'000
Profit for the financial year	**91,947**	61,275	**87,897**	54,336
Other comprehensive income for the period:-				
Increase in fair value of available-for-sale investments	**39**	168	**39**	185
Total comprehensive income for the financial year	**91,986**	61,443	**87,936**	54,521
Attributable to:-				
Equity holders of the Company	**91,859**	61,434	**87,936**	54,521
Non-controlling interest	**127**	9	**-**	-
	91,986	61,443	**87,936**	54,521

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

The share premium account represents the difference between the issue price and the nominal value of shares issued.

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

The capital redemption reserve relates to the repurchase and cancellation of the Company's own shares.

The Shares held by Employee Benefit Trust ("the EBT") reserve represents the cost of shares in Hargreaves Lansdown plc purchased in the market and held by the Hargreaves Lansdown plc Employee Benefit Trust to satisfy options under the Group's share option schemes.

The EBT reserve represents the cumulative gain on disposal of investments held by the Hargreaves Lansdown EBT. The reserve is not distributable by the Company as the assets and liabilities of the EBT are subject to management by the Trustees in accordance with the EBT trust deed.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the minority's proportion of the net fair value of the assets and liabilities acquired at the date of the original business combination and the non-controlling interest's change in equity since that date. The non-controlling interest represents a 25% shareholding in Library Information Services Limited, a subsidiary of the Company.

Company Statement of Changes in Equity

	Share capital	Share premium account	Investment revaluation reserve	Capital redemption reserve	Retained earnings	**Total**
	£'000	£'000	£'000	£'000	£'000	**£'000**
At 1 July 2009	1,897	8	(77)	12	35,691	**37,531**
Profit for the period	-	-		-	54,338	**54,338**
Other comprehensive income:-						
Net fair value gains on available-for-sale assets	-	-	185	-	-	**185**
Dividend paid	-	-	-	-	(77,260)	**(77,260)**
At 30 June 2010	1,897	8	108	12	12,769	**14,794**
Profit for the period	-	-	-	-	87,897	**87,897**
Other comprehensive income:-						
Net fair value gains on available-for-sale assets	-	-	39	-	-	**39**
Dividend paid	-	-	-	-	(31,404)	**(31,404)**
At 30 June 2011	1,897	8	147	12	69,262	**71,326**

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.

Consolidated and Company Balance Sheets

	Note	Group		Company	
		At 30 June 2011 £'000	At 30 June 2010 £'000	**At 30 June 2011 £'000**	At 30 June 2010 £'000
ASSETS					
Non-current assets					
Goodwill	12	**1,333**	1,333	**-**	-
Other intangible assets	13	**296**	211	**-**	-
Property, plant and equipment	14	**6,980**	7,445	**-**	-
Investments	16	**-**	-	**2,152**	2,152
Deferred tax assets	18	**8,117**	2,941	**38**	48
		16,726	11,930	**2,190**	2,200
Current assets					
Trade and other receivables	17	**176,178**	104,174	**269**	104
Cash and cash equivalents	17	**121,951**	71,245	**67,410**	12,078
Investments	16	**2,240**	2,322	**1,626**	1,587
Current tax assets		**12**	33	**-**	-
		300,381	177,774	**69,305**	13,769
Total assets		**317,107**	189,704	**71,495**	15,969
LIABILITIES					
Current liabilities					
Trade and other payables	19	**167,439**	108,692	**53**	983
Current tax liabilities		**18,742**	14,061	**116**	192
		186,181	122,753	**169**	1,175
Net current assets		**114,200**	55,021	**69,136**	12,594
Non-current liabilities					
Provisions	20	**59**	898	**-**	-
		59	898	**-**	-
Total liabilities		**186,240**	123,651	**169**	1,175
Net assets		**130,867**	66,053	**71,326**	14,794
EQUITY					
Share capital	21	**1,897**	1,897	**1,897**	1,897
Share premium account		**8**	8	**8**	8
Investment revaluation reserve		**130**	91	**147**	108
Capital redemption reserve		**12**	12	**12**	12
Shares held by Employee Benefit Trust reserve		**(16,529)**	(14,505)	**-**	-
EBT reserve		**10,294**	10,166	**-**	-
Retained earnings		**134,989**	68,445	**69,262**	12,769
Total equity, attributable to equity shareholders of the parent		**130,801**	66,114	**71,326**	14,794
Non-controlling interest		**66**	(61)	**-**	-
Total equity		**130,867**	66,053	**71,326**	14,794

The financial statements of Hargreaves Lansdown plc, registered number 02122142, were approved by the Board of directors and authorised for issue on 13 September 2011.

Ian Gorham
Chief Executive

Tracey Taylor
Group Finance Director

Statement of Cash Flows

		Group		Company	
	Note	**Year ended 30 June 2011 £'000**	Year ended 30 June 2010 £'000	**Year ended 30 June 2011 £'000**	Year ended 30 June 2010 £'000
Net cash from operating activities, after tax	22	**84,257**	71,530	**(970)**	383
Investing activities					
Interest received		**1,443**	804	**140**	260
Dividends received from investments		**53**	50	**87,500**	53,800
Proceeds on disposal of available-for-sale investments		**121**	228	**66**	-
Proceeds on disposal of plant and equipment		**78**	102	**-**	100
Purchases of property, plant and equipment		**(1,596)**	(7,834)	**-**	-
Purchase of intangible fixed assets		**(349)**	(263)	**-**	-
Net cash from investing activities		**(250)**	(6,913)	**87,706**	54,160
Financing activities					
Purchases of own shares in EBT		**(2,155)**	(3,590)	**-**	-
Proceeds on sale of own shares in EBT		**258**	62	**-**	-
Dividends paid		**(31,404)**	(77,260)	**(31,404)**	(77,260)
Net cash used in financing activities		**(33,301)**	(80,788)	**(31,404)**	(77,260)
Net increase/(decrease) in cash and cash equivalents		**50,706**	(16,171)	**55,332**	(22,717)
Cash and cash equivalents at beginning of year		**71,245**	87,416	**12,078**	34,795
Cash and cash equivalents at end of year		**121,951**	71,245	**67,410**	12,078

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. The nature of the Group's operations and its principal activities are set out in the Business Review.

These financial statements are presented in pounds sterling which is the currency of the primary economic environment in which the Group operates.

Basis of preparation
The consolidated financial statements of Hargreaves Lansdown plc have 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 adopted by the European Union. The Company's financial statements have been prepared on the same basis and as permitted by Section 408 of the Companies Act 2006, no income statement is presented for the Company. The Company's profit after tax for the year was £87,897,000 (2010: £54,336,000).

In the current year amendments to IAS 24, Related Party Disclosures which extends the definition of a related party and IAS 32, Financial instruments: Presentation on classification of rights issues were confirmed. In addition, the IASB's 2010 annual improvements project makes minor changes to IAS 27, Consolidated and Separate Financial Statements, IFRS 3, Business combinations and IFRS 7, Financial Instruments: Disclosures. None of these changes have any impact on the financial statements.

IFRS 9, Financial Instruments was reissued, and new standards IFRS 10, Consolidated Financial Statements, IFRS 11, Joint Arrangements, IFRS 12, Disclosures of Interests in Other Entities and IFRS 13, Fair Value Measurement were issued, applicable from 1 January 2013. The Group is currently reviewing the impact of these new standards but does not intend to adopt the standards early.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments. The principal accounting policies adopted are set out below.

2. Significant accounting policies

Accounting policies as shown below have been consistently applied throughout the current and prior financial year.

Basis of consolidation
The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 30 June 2011. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

The Group and Company financial statements are prepared on a going concern basis as discussed on page 39.

Business combinations
The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 "Business Combinations" are recognised at their fair value at the acquisition date.

Any gains or losses on sale of the Company's own shares held by the Hargreaves Lansdown Employee Benefit Trust ("EBT") are credited directly to the EBT reserve and are treated as undistributable profits.

Non-current assets held for sale
Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Goodwill
Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate, or jointly controlled entity at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill arising on acquisitions before the date of transition to IFRS on 1 July 2005 has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date. Goodwill written off to reserves under UK GAAP prior to 30 June 1997 has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

Notes to the Financial Statements

2. Significant accounting policies (continued)

Revenue recognition
Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts, VAT and other sales-related taxes. Fund based commissions are recognised on an accruals basis calculated according to the level of assets under the administration, or agency, of the Group. The Group's stockbroking and unit trust management subsidiaries earn initial commission on securities transactions entered into on behalf of clients. The commission earned is recorded in the accounts on the date of the transaction, as this is the date on which the service is provided to the client and the Group becomes entitled to the income.

The Group also earns initial commission from third party providers on the set up of group pension schemes. Initial commissions are deemed to be earned at the policy inception date on those policies where there are only negligible ongoing services. Where ongoing services are provided, an appropriate proportion of the income is deferred over the relevant period. Where such commission is received on an indemnity basis, a provision is made for clawbacks, if any, which would be due if the policy lapses during the indemnity period.

Interest income is accrued on a time basis, using the effective interest rate method.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Operating profit
Operating profit is stated before investment revenue and finance costs. Underlying operating profit is stated before investment revenue, finance costs and one-off costs relating to the FSCS additional levy and the new offices.

Retirement benefit costs
The Group operates a group self-invested personal pension plan for staff. Payments to the defined contribution retirement benefit scheme are charged as an expense as they fall due.

Bonuses payable to employees
The Group recognises a liability and an expense for staff bonuses where contractually obliged or where there is a past practice.

Provisions
Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Provisions are recognised for future committed property lease payments when the group receives no benefit from the property through continuing usage and future receipts from any sub-letting arrangements are not in excess of the group's future committed payments.

Taxation
The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Notes to the Financial Statements

2. Significant accounting policies (continued)

Share-based payments
The Group has applied the requirements of IFRS 2 Share-based Payments to all grants of equity instruments after 7 November 2002 that were unvested at 1 July 2005.

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions. Fair value is measured by use of the Black Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. Prior to 15 May 2007 the Company's shares were not listed on a stock exchange and therefore, in the absence of a readily available market price for the shares, the share price was based on the market value agreed with HM Revenue & Customs and share price volatility was estimated as the average of the volatility applying to a comparable group of listed companies.

Property, plant and equipment
Plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. Depreciation is provided, where material, on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value, of each asset evenly using a straight-line method over its estimated useful life as follows:

Fixtures, fittings, plant and equipment:

Leasehold property tenants' fixtures	over the life of the lease
Office equipment	over 10 years
Computer equipment and software	over 3 to 4 years
Motor vehicles:	over 4 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Leasing
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Intangible assets excluding goodwill
Other intangible assets comprise computer software which is stated at cost less amortisation and any recognised impairment loss. Amortisation is provided, where material, on all intangible fixed assets excluding goodwill at rates calculated to write off the cost or valuation, less estimated residual value, of each asset evenly using a straight-line method over its estimated useful life as follows:

Computer software: over 3 to 4 years

The carrying values of computer software are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Website development design and content development costs are capitalised only to the extent that they lead to the creation of an enduring asset, which delivers benefits at least as great as the amount capitalised.

Impairment of tangible and intangible assets excluding goodwill
At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Recoverable amount is the higher of fair value less costs to sell and value in use. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Dividend recognition
Dividend distributions to the Company's shareholders are recognised in the accounting period in which the dividends are declared and paid, or if earlier, in the accounting period when the dividend is approved by the Company's shareholders at the Annual General Meeting.

Notes to the Financial Statements

2. Significant accounting policies (continued)

Financial instruments
Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade receivables

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 as debtors. Market debtors and creditors are presented net where there is a legal right of offset.

Investments

Investments are recognised and derecognised on a trade date where a purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at cost, including transaction costs.

The Group's 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 on page 48, 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 cost is not materially different to fair value, with a fair value adjustment recognised upon disposal of the investment.

Investments which are designated as being held at fair value through profit or loss are carried at fair value, being the quoted market price of the listed investment, with any gain or loss reported within the income statement. An investment is classified in this category if it is held principally for the purpose of selling in the short term.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Included within cash balances are amounts held on client settlement accounts as shown in note 17.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Trade payables

Trade payables are measured at fair value which is equivalent to amortised cost. In accordance with market practice, certain balances with clients, Stock Exchange member firms and other counterparties are included as creditors. Market debtors and creditors are presented net where there is a legal right of offset.

Notes to the Financial Statements

3. Key sources of judgements and estimation uncertainty

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities. If in the future such estimates and assumptions, which are based on management's best judgement at the date of preparation of the financial statements, deviate from actual circumstances, the original estimates and assumptions will be modified as appropriate in the period in which the circumstances change. The areas where a higher degree of judgement or complexity arise, or areas where assumptions and estimates are significant to the consolidated financial statements, are discussed below.

Share-based payments
In determining the fair value of equity-settled share-based awards and the related charge to the income statement, the Group makes assumptions about the future events and market conditions. In particular, judgement must be formed as to the likely number of shares that will vest, and the fair value of each award granted. The fair value is determined using a valuation model which is dependent on future estimates, including the Group's future dividend policy, the timing with which the options will be exercised and the future volatility in the price of the Group's shares. Different assumptions about these factors to those made by the Group could materially affect the reported value of share-based payments.

Staff costs
Included in staff costs is an estimate of the future liability for bonuses and other employee incentive schemes which have been earned but not paid.

Indemnity provision
Following a change in the profile of the Group's involvement with pension scheme policies, the provision for indemnity commission clawbacks is immaterial and is no longer identified as a key source of estimation uncertainty.

4. Revenue

Revenue represents commission receivable from financial services provided to clients, interest on settlement accounts and management fees charged to clients. It relates to services provided in the UK and is stated net of value added tax. An analysis of the Group's revenue is as follows:

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

5. Segment information

The Group is organised into three business segments, namely the Vantage Division, the Discretionary Division and the Third Party/Other Services Division. This is based upon the Group's internal organisation and management structure and is the primary way in which the Chief Operating Decision Maker (CODM) is provided with financial information. The CODM has been identified as the Board of Executive Directors.

The 'Vantage' division represents all activities relating to the Vantage service, our direct to private investor platform.

The 'Discretionary/Managed' division is focused on the provision of managed services such as our Portfolio Management Service (PMS) and range of Multi-Manager funds.

The 'Third Party/Other Services' division includes activities relating to the broking of third party investments and pensions, certificated share dealing and other niche services such as currency, CFD's and spread betting. In this division, clients' investments are not administered within the Group.

The 'Group' segment contains items that are shared by the Group as a whole and cannot be reasonably allocated to other operating segments.

Segment expenses are those that are directly attributable to a segment together with the relevant portion of other expenses that can reasonably be allocated to the segment. Gains or losses on the disposal of available-for-sale investments, investment income, interest payable and tax are not allocated by segment.

Segment assets and liabilities include items that are directly attributable to a segment plus an allocation on a reasonable basis of shared items. Corporate assets and liabilities are not included in business segments and are thus unallocated. At 30 June 2011 and 2010, these comprise cash and cash equivalents, short-term investments, tax-related and other assets or liabilities.

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

Notes to the Financial Statements

5. Segment information (continued)

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

Information about products/services
The Group's operating segments are business units that provide different products and services. The breakdown of revenue from external customers for each type of service is therefore the same as the segmental analysis above.

Information about geographical area
All business activities are located within the UK.

Information about major customers
The Group does not rely on any individual customer.

Notes to the Financial Statements

6. Profit for the year

Profit for the year has been arrived at after charging:	Year ended 30 June 2011 £'000	Year ended 30 June 2010 £'000
Depreciation of owned plant and equipment	2,055	2,138
Amortisation of other intangible assets	263	289
Operating lease rentals payable – property	2,191	3,052
Staff costs (Note 7)	40,140	36,012
One-off costs – office move	-	4,429
One-off costs - FSCS interim levy	3,036	-

The analysis of auditor remuneration is as follows:	Year ended 30 June 2011 £'000	Year ended 30 June 2010 £'000
Fees payable for the audit of the Company's annual accounts	5	5
Fees payable for the audit of the Company's subsidiaries pursuant to legislation	85	79
Fees payable for the review of the Company's half yearly financial report	10	10
Other verification work	6	7
	106	101

7. Staff costs

	Year ended 30 June 2011 No.	Year ended 30 June 2010 No.
The average monthly number of employees of the Group (including executive directors) was:		
Operating and support functions	470	465
Administrative functions	183	163
	653	628
Of which the following number were employed by the parent company:		
Administrative functions	3	3
Their aggregate remuneration comprised:	£'000	£'000
Wages and salaries	32,098	30,054
Social security costs	3,793	3,353
Share-based payment expenses	1,618	608
Other pension costs	2,631	1,997
	40,140	36,012

The Group aims to attract, motivate and retain high calibre employees by rewarding them with competitive salary and benefit packages, which may be linked to the creation of long-term shareholder value. Salary ranges are established by reference to those prevailing in the employment market generally for employees of comparable status, responsibility and skills. All employees are eligible to be considered for an annual discretionary bonus. In addition to cash bonuses, the Group operates various share-based remuneration schemes as described in note 24.

8. Investment revenue

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

Notes to the Financial Statements

9. Tax

Profit for the year has been arrived at after charging:	Year ended 30 June 2011 £'000	Year ended 30 June 2010 £'000
Current tax	**34,732**	25,031
Deferred tax (Note 18)	**(666)**	(11)
	34,066	25,020

Corporation tax is calculated at 27.50% of the estimated assessable profit for the year to 30 June 2011 (2010: 28%).
In addition to the amount charged to the income statement, certain tax amounts have been charged or credited directly to equity as follows:

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

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

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 25% for the 2012 financial year, 24% for the 2013 financial year and 23% for the 2014 financial year.

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

	Year ended 30 June 2011 £'000	Year ended 30 June 2010 £'000
Profit before tax from continuing operations	**126,013**	86,295
Theoretical tax charge	**34,653**	24,162
- at the UK corporation tax rate of	**27.5%**	28.0%
Items (allowable)/not allowable for tax	**(92)**	844
Effect of adjustments relating to prior year	**(617)**	(7)
Utilisation of small company rate and rate applicable to trusts	**3**	21
Impact of the change in tax rate	**119**	-
Tax expense for the year	**34,066**	25,020
Effective tax rate	**27.0%**	28.9%

Notes to the Financial Statements

10. Dividends

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

After the balance sheet date, the directors declared a second interim (final) ordinary dividend of 8.41 pence per share and a special dividend of 5.96 pence per share payable on 29 September 2011 to shareholders on the register on 9 September 2011. 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 2012 financial statements as follows:

	£'000
Second interim (final) dividend of 8.41p per share	38,929
Special dividend of 5.96p per share	27,584

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

	Year ended 30 June 2011 £'000	Year ended 30 June 2010 £'000
Number of shares held by the Hargreaves Lansdown Employee Benefit Trust	**11,214,774**	10,693,671
Representing % of called-up share capital	**2.36%**	2.25%

Notes to the Financial Statements

11. Earnings per share (EPS)

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

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

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

12. Goodwill - Group

	Year ended 30 June 2011 £'000	Year ended 30 June 2010 £'000
Cost		
At beginning and end of year	**1,450**	1,450
Accumulated impairment losses		
At beginning and end of year	**117**	117
Carrying amount		
At end of year	**1,333**	1,333

The net carrying value of goodwill relates entirely to the acquisition of Hargreaves Lansdown Pensions Direct Limited (HLPD). The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. The Group has prepared financial forecasts for the business for the period to June 2013 which show that the group as a whole will remain highly profitable and cash generative. Within the forecast, the revenue streams which belong to HLPD continue to grow. HLPD is profit making and has a net assets position as at 30 June 2011, therefore the directors see no reason to impair the value of goodwill and continue to hold it at its carrying amount.

Notes to the Financial Statements

13. Other intangible assets - Group

	Computer software £'000
Cost	
At 1 July 2009	2,081
Additions	263
At 1 July 2010	2,344
Additions	349
Other movements	(13)
At 30 June 2011	2,680
Accumulated amortisation	
At 1 July 2009	1,844
Charge	289
At 1 July 2010	2,133
Charge	263
Other movements	(12)
At 30 June 2011	2,384
Carrying amount	
At 30 June 2011	296
At 30 June 2010	211

Other movements relate to assets that are no longer in use by the Group.

14. Property, plant and equipment

Group's property, plant and equipment	Fixtures, fittings, plant and equipment £'000	Motor vehicles £'000	Total £'000
Cost			
At 1 July 2009	7,117	31	7,148
Additions	7,834	-	7,834
Disposals	(1,338)	-	(1,338)
At 1 July 2010	13,613	31	13,644
Additions	1,596	-	1,596
Disposals	(56)	(31)	(87)
Other movements	(935)	-	(935)
At 30 June 2011	14,218	-	14,218
Accumulated depreciation			
At 1 July 2009	5,341	16	5,357
Charge	2,130	8	2,138
Disposals	(1,296)	-	(1,296)
At 1 July 2010	6,175	24	6,199
Charge	2,053	2	2,055
Disposals	(55)	(26)	(81)
Other movements	(935)	-	(935)
At 30 June 2011	7,238	-	7,238
Carrying amount			
At 30 June 2011	6,980	-	6,980
At 30 June 2010	7,438	7	7,445

Other movements relate to assets that are no longer in use by the Group.

Notes to the Financial Statements

14. Property, plant and equipment (continued)

Company's property, plant and equipment

	Fixtures, fittings, plant and equipment £'000
Cost	
At 1 July 2009	1,368
Disposals	(668)
At 1 July 2010	700
Other movements	(630)
At 30 June 2011	70
Accumulated depreciation	
At 1 July 2009	1,342
Charge	21
Disposals	(663)
At 1 July 2010	700
Other movements	(630)
At 30 June 2011	70
Carrying amount	
At 30 June 2011	-
At 30 June 2010	-

Other movements relate to assets that are no longer in use by the Company.

15. Subsidiaries

A list of the investments in subsidiaries, all of which are incorporated in the UK, is shown below:

- **Hargreaves Lansdown Asset Management Ltd (100% shares held)**
  Unit trust equity broking, investment fund management, life and pensions consultancy
- **Hargreaves Lansdown Stockbrokers Ltd (100% shares held)**
  Stockbroking
- **Hargreaves Lansdown Fund Managers Ltd (100% shares held)**
  Unit trust management
- **Hargreaves Lansdown Pensions Direct Ltd (100% shares held)**
  Pension broking
- **Hargreaves Lansdown Nominees Ltd (100% shares held)**
  Nominee services
- **Hargreaves Lansdown Insurance Brokers Ltd (100% shares held)**
  Dormant company
- **Hargreaves Lansdown Investment Management Ltd (100% shares held)**
  Dormant company
- **Hargreaves Lansdown Pensions Ltd (100% shares held)**
  Dormant company
- **Library Information Services Ltd (75% shares held)**
  Data provider
- **Hargreaves Lansdown EBT Trustees Ltd (100% shares held)**
  Trustee of the Employee Benefit Trust
- **Hargreaves Lansdown Trustee Company Ltd (100% shares held)**
  Trustee of the Share Incentive Plan

Notes to the Financial Statements

16. Investments

Group's investments	Year ended 30 June 2011 £'000	Year ended 30 June 2010 £'000
At beginning of year	2,322	2,382
Sales	(121)	(228)
Net increase in the value of available-for-sale investments	39	168
At end of year	2,240	2,322
Comprising:		
Current asset investment - UK listed securities valued at quoted market price	1,499	1,581
Current asset investment - Unlisted securities valued at cost	741	741

£350,000 (2010: £471,000) of investments are classified as held at fair value through profit and loss and £1,890,000 (2010: £1,851,000) are classified as available-for-sale. Available-for-sale investments have been included at fair value where a fair value can be reliably calculated, with the revaluation gains and losses reflected in the investment revaluation reserve as shown in the Consolidated Statement of Changes in Equity, until sale when the cumulative gain or loss is transferred to the income statement. If a fair value cannot be reliably calculated by reference to a quoted market price or other method of valuation, available-for-sale investments are included at cost where the directors believe that this is not significantly different to fair value, with a fair value adjustment recognised upon disposal of the investment.

Company's investments	Year ended 30 June 2011 £'000	Year ended 30 June 2010 £'000
At beginning of year	3,739	3,554
Net increase in the value of available-for-sale investments	39	185
At end of year	3,778	3,739
Comprising:		
Current asset investment - UK listed securities valued at quoted market price	1,148	1,109
Current asset investment - Unlisted securities valued at cost	478	478
Non-current investments – Investments in subsidiaries valued at cost less impairment	2,152	2,152

£1,626,000 (2010: £1,587,000) of investments 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 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.

17. Other financial assets

Trade and other receivables	Group		Company	
	Year ended 30 June 2011 £'000	Year ended 30 June 2010 £'000	Year ended 30 June 2011 £'000	Year ended 30 June 2010 £'000
Amounts receivable from subsidiaries and EBT	-	-	227	81
Trade receivables	147,738	91,306	-	-
Other receivables	218	344	-	-
Prepayments and accrued income	28,222	12,524	42	23
	176,178	104,174	269	104

Trade receivables are measured at initial recognition at fair value. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. In accordance with market practice, certain balances with clients, Stock Exchange member firms and other counterparties are included in debtors. Trade receivables include £134.3 million (2010: £80.3 million) of counterparty balances.

Notes to the Financial Statements

17. Other financial assets (continued)

Cash and cash equivalents	Group		Company	
	Year ended 30 June 2011 £'000	Year ended 30 June 2010 £'000	**Year ended 30 June 2011 £'000**	Year ended 30 June 2010 £'000
Restricted cash – client settlement account balances	**13,538**	9,729	**-**	-
Restricted cash – balances held by EBT	**469**	3,289	**-**	-
Group cash and cash equivalent balances	**107,944**	58,227	**67,410**	12,078
	121,951	71,245	**67,410**	12,078

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

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

18. 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 26%, being the rate in force at the balance sheet date. The Finance Act 2011 reduces the standard UK corporation tax rate to 25% from 1 April 2012 which will reduce the deferred tax assets and liabilities shown below.

	Accelerated tax depreciation £'000	**Future relief on capital losses £'000**	**Share-based payments £'000**	**Other deductible temporary differences £'000**	**Total £'000**
Group					
At 1 July 2009	610	98	816	302	1,826
(Charge)/credit to income	(404)	(98)	55	458	11
Credit to equity	-	-	1,104	-	1,104
At 30 June 2010	206	-	1,975	760	2,941
Credit to income	377	-	249	40	666
Credit to equity	-	-	4,510	-	4,510
At 30 June 2011	583	-	6,734	800	8,117
Company					
At 1 July 2009	64	-	-	13	77
Credit to income	(29)	-	-	-	(29)
At 30 June 2010	35	-	-	13	48
Credit to income	(9)	-	-	(1)	(10)
At 30 June 2011	26	-	-	12	38

Notes to the Financial Statements

19. Other financial liabilities

Trade and other payables – current payables	Group		Company	
	Year ended 30 June 2011 £'000	Year ended 30 June 2010 £'000	**Year ended 30 June 2011 £'000**	Year ended 30 June 2010 £'000
Amounts payable to subsidiaries	**-**	-	**12**	949
Trade payables	**147,450**	91,494	**-**	-
Social security and other taxes	**3,359**	3,233	**2**	2
Other payables	**4,950**	5,186	**17**	15
Accruals and deferred income	**11,680**	8,779	**22**	17
	167,439	108,692	**53**	983

In accordance with market practice, certain balances with clients, Stock Exchange member firms and other counterparties are included in creditors. Trade payables include £146.7 million (2010: £88.7 million) of counterparty balances. Accruals and deferred income principally comprise amounts outstanding for trade purchases and revenue received but not yet earned on group pension schemes where an ongoing service is still being provided. Other payables principally comprise amounts owed to clients as a loyalty bonus and to staff as a bonus.

20. Provisions - Group

	Commission on indemnity terms £'000	Property costs £'000	Total £'000
Included within non-current liabilities:			
At 1 July 2009	375	409	784
(Utilised)/charged during the year	(103)	217	114
At July 2010	272	626	898
(Utilised) during the year	(272)	(567)	(839)
At 30 June 2011	-	59	59

The indemnity provision represented management's best estimate of the Group's liability to repay commission received on indemnity terms. The provision was based on past experience and the volume of indemnified commission.

The provision on property related costs represents the Group's future committed lease payments on non-cancellable leases and other contractual obligations that arise on the surrendering of operating leases.

21. Share capital

	Year ended 30 June 2011 £'000	Year ended 30 June 2010 £'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.

Notes to the Financial Statements

22. Notes to the consolidated cash flow

	Group		Company	
	Year ended 30 June 2011 £'000	Year ended 30 June 2010 £'000	**Year ended 30 June 2011 £'000**	Year ended 30 June 2010 £'000
Profit for the year after tax	**91,947**	61,275	**87,897**	54,336
Adjustments for:				
Investment revenues	(1,496)	(854)	(87,640)	(54,059)
Other gains	(72)	(59)	(66)	(95)
Income tax expense	34,066	25,020	117	221
Depreciation of plant and equipment	2,055	2,138	-	21
Amortisation of intangible assets	263	289	-	-
Share-based payment expense	1,618	608	-	-
(Decrease)/increase in provisions	(839)	114	-	-
Operating cash flows before movements in working capital	**127,542**	88,531	**308**	424
(Increase)/decrease in receivables	(72,004)	(28,757)	(165)	324
Increase/(decrease) in payables	58,748	32,700	(930)	(407)
Cash generated by operations	**114,286**	92,474	**(787)**	341
Income taxes (paid)/received	(30,029)	(20,944)	(183)	42
Net cash from/(used in) operating activities, after tax	**84,257**	71,530	**(970)**	383

23. Commitments

Operating lease commitments – The Group as lessee	**Year ended 30 June 2011 £'000**	Year ended 30 June 2010 £'000
Minimum lease payments under operating lease recognised as an expense in the year	**2,191**	3,052
At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under the remaining term of non-cancellable operating leases, which fall due as follows:		
Within one year	2,873	1,907
In the second to fifth years inclusive	11,495	11,101
After five years	28,447	31,222
Total minimum lease payments	**42,815**	44,230

Operating lease payments represent rentals payable by the Group for its office properties. The Group leases various offices under non-cancellable operating lease agreements. The leases have varying terms, escalation values and renewal rights.

VAT group registration
As a result of group registration for VAT purposes, the Company is contingently liable for VAT liabilities arising in other companies within the VAT group which at 30 June 2011 amounted to £27,000 (2010: £256,000).

Capital commitments
At the balance sheet date, the Group had no significant capital commitments (2010: £nil).

Notes to the Financial Statements

24. Share-based payments

Equity - settled share option scheme
The Group seeks to facilitate significant equity ownership by employees, principally through schemes which encourage and assist the purchase of the Company's shares.

The Group operates four share option plans: the Employee Savings-Related Share Option Scheme ("SAYE"), the Hargreaves Lansdown plc Share Incentive Plan ("SIP"), the Hargreaves Lansdown Company Share Option Scheme (the "Executive Option Scheme") and the Hargreaves Lansdown Joint Share Ownership Plan ("JSOP").

Awards granted under the Employee SAYE scheme vest over five years. Awards granted under the Employee Share Incentive Plan vest over a three-year period. Awards granted under the Executive Option Scheme vest between nil and ten years. Options are exercisable at a price equal to the market value of the Company's shares on the date of grant. There are currently no performance conditions attached to any options granted under any of the schemes, although options are forfeited (in most circumstances) if the employee leaves the Group before the options vest.

Interests in shares purchased under the JSOP were settled at under market value, with tax and National Insurance being paid on the difference. The shares must be held for a minimum of three years under the terms of the Deeds and are realisable in only very limited circumstances before that date. There are no performance conditions attached to the shares.

The recognition and measurement principles in IFRS 2 have been applied to all grants after 7 November 2002 which had not vested by 1 July 2005. They have not been applied to any grants made prior to 7 November 2002.

Details of the share options outstanding during the year are as follows:

	Year ended 30 June 2011		Year ended 30 June 2010	
	Share options No.	Weighted average exercise price Pence	Share options No.	Weighted average exercise price Pence
SIP				
Outstanding at beginning of the year	748,825	23.5	776,600	23.5
Exercised during the year	(63,250)	23.5	(23,375)	23.5
Forfeited during the year	-	-	(4,400)	23.5
Outstanding at the end of the year	685,575	23.5	748,825	23.5
Exercisable at the end of the year	685,575	23.5	748,825	23.5
SAYE				
Outstanding at beginning of the year	4,915,877	82.8	4,634,561	66.4
Granted during the year	203,697	477.1	418,676	268.3
Exercised during the year	(104,501)	60.3	(53,006)	60.4
Forfeited during the year	(170,215)	149.1	(84,354)	87.8
Outstanding at the end of the year	4,844,858	97.6	4,915,877	82.8
Exercisable at the end of the year	112,556	71.6	53,973	90.8
Executive Option Scheme				
Outstanding at beginning of the year	1,326,135	242.1	829,170	195.4
Granted during the year	3,430,648	466.7	512,320	316.3
Exercised during the year	(65,355)	297.9	(15,355)	195.4
Forfeited during the year	(30,787)	292.3	-	-
Outstanding at the end of the year	4,660,641	406.3	1,326,135	242.1
Exercisable at the end of the year	89,350	295.0	30,710	195.4
JSOP				
Outstanding at beginning of the year	2,750,000	-	-	-
Interests in shares purchased during the year	-	-	2,750,000	-
Outstanding at the end of the year	2,750,000	-	2,750,000	-
Exercisable at the end of the year	-	-	-	-

The weighted average market share price at the date of exercise for options exercised during the year was 503.35 pence.

Notes to the Financial Statements

24. Share-based payments (continued)

The share options outstanding at the end of each year have exercise prices and expected and remaining lives as follows:

	Year ended 30 June 2011		Year ended 30 June 2010	
	Share options No.	Weighted average expected remaining life	Share options No.	Weighted average expected remaining life
Options exercise price range (pence)				
23.5	685,575	0 years	748,825	0 years
54.5	3,906,537	0.8 years	4,081,825	1.8 years
175.0	367,217	2.3 years	421,171	3.3 years
195.4	767,750	2.8 years	813,815	3.8 years
286.3	369,691	3.7 years	412,881	4.7 years
268.8	2,750,000	1.4 years	2,750,000	2.4 years
283.8	250,000	1.3 years	250,000	2.3 years
347.2	262,320	3.7 years	262,320	4.7 years
388.8	1,142,874	4.2 years	-	-
409.8	500,000	2.2 years	-	-
458.0	800,000	2.3 years	-	-
477.1	201,413	4.7 years	-	-
595.0	212,897	4.7 years	-	-
606.3	724,800	2.9 years	-	-
	12,941,074	1.9 years	9,740,837	2.2 years

The fair value at the date of grant of options awarded during the year ended 30 June 2011 and the year ended 30 June 2010 has been estimated by the Black-Scholes methodology and the principal assumptions required by the methodology were as follows:

	At 30 June 2011	At 30 June 2010
Weighted average share price	516.27p	296.25p
Expected dividend yields	2.94%	4.09%
SAYE		
Weighted average exercise price	477.08p	268.30p
Expected volatility	36%	47%
Risk-free rate	2.50%	3.00%
Expected life	5 years	5 years
Executive scheme		
Weighted average exercise price	466.73p	316.28p
Expected volatility	40%	38%
Risk-free rate	2.50%	3.00%
Expected life	4 years	4 years
JSOP		
Expected volatility	-	37%
Risk-free rate	-	3.00%
Expected life	-	3 years

Prior to 15 May 2007 the Company's shares were not listed on a stock exchange and therefore no readily available market price existed for the shares. The share price of share option awards granted prior to 15 May 2007 were based on the latest market value agreed with HM Revenue & Customs using an earnings multiples approach based on comparable quoted companies. Similarly, share price volatility was estimated as the average of the volatility experienced by a comparable group of quoted companies. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. Since 15 May 2007, a quoted market price has been available for the Company's shares.

The Group recognised total expenses related to equity-settled share-based payment transactions as shown in note 7.

25. Events after balance sheet date

On 1 September 2011 the Directors proposed a second interim (final) ordinary dividend payment of 8.41 pence per ordinary share and a special dividend of 5.96 pence per ordinary share, payable on 29 September 2011 to all shareholders on the register at the close of business on 9 September as detailed in note 10.

Notes to the Financial Statements

26. Related party transactions

The Group has a related party relationship with its subsidiaries, and with its directors and members of the Executive Committee (the "key management personnel"). Transactions between the Group and its key management personnel are disclosed below. Details of transactions between the Group and other related parties are also disclosed below.

Trading transactions
The Group entered into the following transactions with directors and related parties who are not members of the Group:

During the years ended 30 June 2011 and 30 June 2010 the Group has been party to a lease with P K Hargreaves and S P Lansdown, who are both directors of the Company, for the rental of the old head office premises at Kendal House. Previously the rental was £302,400 per annum for the whole building but as from 6 April 2011 a new ten year lease was signed for a rental of part of the building, to be used for disaster recovery purposes at a rental of £105,000 per annum. No amount was outstanding at either year end.

Following the move to the new office in February 2010, notice was given to terminate the lease on Kendal House. As part of the termination from that lease, an exit fee of £150,000 and £215,000 in dilapidation costs were paid in the year ended 30 June 2011. Both amounts had been fully accrued for in the Group accounts for the year ended 30 June 2010. Both amounts ultimately went to P K Hargreaves and S P Lansdown.

On 31 March 2011 Hargreaves Lansdown plc sold 10% of the ordinary share capital it held in its subsidiary undertaking Library Information Services Limited (LIS). The shares were sold to Stuart Louden the founder director of LIS and currently the only other shareholder, who is an employee of Hargreaves Lansdown Asset Management Limited. The price paid per share was £671. There is no readily available market for these shares and hence a valuation was arrived at based on the book value of the business discounted by 25% to allow for the lack of market for these shares. The directors of Hargreaves Lansdown plc deemed this to be a fair price in the circumstances. The total amount paid was £67,100 and this was settled immediately in cash. Following the share sale Hargreaves Lansdown plc now holds 75% of the ordinary share capital in LIS and Stuart Louden holds 25%. The transaction was completed in order to provide further incentive to Stuart Louden to successfully develop the business of LIS. Hargreaves Lansdown plc retains control of LIS which continues to be accounted for as a subsidiary.

During the years ended 30 June 2011 and 30 June 2010 the Group has provided a range of investment services to shareholders, directors and staff on normal third party business terms.

Remuneration of key management personnel
The remuneration, excluding National Insurance costs, of the key management personnel of the Group being those personnel who were either a member of the Board of a Group company or a member of the Executive Committee during the relevant year shown below, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

	Year ended 30 June 2011 (£'000)	Year ended 30 June 2010 (£'000)
Short-term employee benefits	**6,877**	3,979
Defined contribution pension costs	**245**	243
Share-based payments	**1,097**	337
	8,219	4,559

Included within the previous table are the following amounts paid to directors of the Company who served during the relevant year. Full details of directors' remuneration are shown in the Remuneration Committee report.

	Year ended 30 June 2011 (£'000)	Year ended 30 June 2010 (£'000)
Wages and salaries, excluding national insurance costs	**2,197**	1,040
Pension contributions	**47**	32
Share-based payments	**763**	114
	3,007	1,186
Emoluments of the highest paid director	**1,034**	406
Number of directors who were members of money purchase pension schemes	**2**	1

Transactions between subsidiaries and between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation. The parent Company, Hargreaves Lansdown plc, entered into the following transactions with subsidiaries and the Employee Benefit Trust, which are related parties.

	Year ended 30 June 2011 (£'000)	Year ended 30 June 2010 (£'000)
Dividends received from subsidiaries	**87,500**	53,800
Management charges to subsidiaries	**720**	720
Amount owed to related parties at 30 June	**12**	949
Amounts owed by related parties at 30 June	**227**	81

All amounts outstanding with related parties are unsecured and will be settled in cash. No guarantees have been given or received in respect of amounts outstanding. No provisions have been made for doubtful debts in respect of the amounts owed by the related parties.

Notes to the Financial Statements

27. Financial instruments

Fair value

The fair values of the Group's financial assets and liabilities are not materially different from their carrying values. Market values have been used to determine the fair values of cash and cash equivalents, and available-for-sale financial assets where there is a quoted market price. Investments in equity instruments which do not have a quoted market price in an active market or whose fair value cannot be reliably measured are measured at cost which the directors believe is not significantly different to fair value.

Fair value hierarchy

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which fair value is observable:

Level 1 - Fair value measured using unadjusted quoted market prices
Level 2 - Fair value measured using inputs derived from observable market data
Level 3 - Fair value measured using valuation techniques that include inputs that are not based on observable market data

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
At 30 June 2011				
Financial assets at fair value through profit or loss	350	-	-	350
Available-for-sale financial assets	1,149	-	741	1,890
	1,499	-	741	2,240
At 30 June 2010				
Financial assets at fair value through profit or loss	471	-	-	471
Available-for-sale financial assets	1,110	-	741	1,851
	1,581	-	741	2,322

There were no transfers between Level 1 and Level 2 during the year.

Nature and extent of risks arising from financial instruments

(a) Financial risk management

Financial assets principally comprise trade and other receivables, cash and cash equivalents, and current asset listed and unlisted investments. Financial liabilities comprise certain provisions and trade and other payables. The main risks arising from financial instruments are market risk (including interest rate risk, foreign exchange risk and price risk), liquidity risk, and credit risk. Each of these risks is discussed in detail below.

The Group monitors financial risks on a consolidated basis. Hargreaves Lansdown's financial risk management is based upon sound economic objectives and good corporate practice. No hedging transactions have taken place during the years presented. The Group has designed a framework to manage the risks of its business and to ensure that the Directors have in place risk management practices appropriate to a listed company. The management of risk within the Group is governed by the Board.

(b) Market risk

- Interest rate risk

  Interest rate risk is the risk that the Group will sustain losses from adverse movements in interest bearing assets. There is an exposure to interest rates on banking deposits held in the ordinary course of business. At 30 June 2011 the value of financial instruments on the Group balance sheet exposed to interest rate risk was £121,951,000 (2010: £71,245,000) comprising cash and cash equivalents. A 100bps (1%) move in interest rates, in isolation, would not have a material impact on the Group balance sheet or results. This exposure is continually monitored to ensure that the Group is maximising its interest earning potential within accepted liquidity and credit constraints. The Group has no external borrowings and as such is not exposed to interest rate or refinancing risk on borrowings. Cash at bank earns interest at floating rates based on daily bank deposit rates. Short term deposits are also made for varying periods of between one day and 12 months depending on the immediate cash requirements of the Group and earn interest at the respective fixed term deposit rates. As a source of revenue is based on the value of client cash under administration, the Group has an indirect exposure to interest rate risk on cash balances held for clients. These balances are not on the Group balance sheet.

Notes to the Financial Statements

27. Financial instruments (continued)

- Foreign exchange translation and transaction risk

  Foreign currency risk is the risk that the Group will sustain losses through adverse movements in currency exchange rates. With substantially all of the Group's businesses located within the UK, and therefore with minimal net assets and transactions of the Group denominated in foreign currencies, the Group is not exposed to significant foreign exchange translation or transaction risk and as such does not hedge any foreign current assets or liabilities. The Group deals in foreign currencies on a matched basis on behalf of clients, limiting foreign exchange exposure.

- Price risk

  Price risk is the risk that a decline in the value of assets adversely impacts on the profitability of the Group as a result of an asset not meeting its expected value.

  The Group is exposed to price risk on corporate investments held on the Group balance sheet. At 30 June 2011, the fair value of investments recognised on the Group balance sheet was £2,240,000 (2010: £2,322,000). A 20% move in equity prices, in isolation, would not have a material impact on the Group balance sheet or results.

  As a main source of revenue is based on the value of client assets under administration, the Group has an indirect exposure to security price risk on investments held for clients. These assets are not on the Group balance sheet. The risk of lower revenues is partially mitigated by asset class diversification. The Group does not hedge its revenue exposure to movements in the value of client assets arising from these risks, and so the interests of the Group are aligned to those of its clients.

  In addition, the Group acts as a private client investment manager, unit trust manager and agency stockbroker on a matched basis so its exposure to market price movements in this capacity is limited to when there is a trade mismatch or error, or if one matched counterparty fails to fulfil its obligations. The impact of these risks is minimised

(c) Liquidity risk

The Group is exposed to liquidity risk, namely the risk that it may be unable to meet its payment obligations as they fall due. The Group is highly cash generative and holds significant liquid assets. The Group actively maintains cash balances on short-term deposit to ensure that the Group has sufficient available funds for operations.

The table below analyses the maturities of the undiscounted cash flows relating to financial liabilities of the Group based on the remaining period to the contractual maturity date at the balance sheet date.

	0-3 months £'000	3-6 months £'000	6-12 months £'000	Over 1 year £'000	Total £'000
At 30 June 2011					
Trade and other payables:					
Trade payables	147,089	271	90	-	147,450
Social security and other taxes	3,156	13	-	190	3,359
Other payables	4,914	-	36	-	4,950
Accruals and deferred income	1,945	34	-	-	1,979
	157,104	318	126	190	157,738
Current tax	9,519	9,223	-	-	18,742
Long-term provisions	-	-	-	59	59
Total financial liability exposed to liquidity risk	166,623	9,541	126	249	176,539
At 30 June 2010					
Trade and other payables:					
Trade payables	91,494	-	-	-	91,494
Social security and other taxes	3,156	77	-	-	3,233
Other payables	4,734	391	61	-	5,186
Accruals and deferred income	2,105	845	1,645	-	4,595
	101,489	1,313	1,706	-	104,508
Current tax	7,011	6,102	948	-	14,061
Long-term provisions	898	-	-	-	898
Total financial liability exposed to liquidity risk	109,398	7,415	2,654	-	119,467

Notes to the Financial Statements

27. Financial instruments (continued)

(d) Credit risk

The Group has no significant concentration of credit risk as credit exposure is spread over a large number of counterparties and customers.

Within the Group's Stockbroking operation, the Group is exposed to credit risk from counterparties to a securities transaction during the period between the trade date and the settlement date. This period is generally three business days. The Group has credit exposure that extends beyond the original settlement date if the counterparty fails either to make payment or to deliver securities. These transactions are with financial institutions and clients. Settlement risk is substantially mitigated as a result of the delivery versus payment mechanism whereby if a counterparty fails to make payment, the securities would not be delivered to the counterparty. In that instance, the securities could be sold in the market and therefore the economic substance of the transaction is that securities serve as collateral in the case of delivery versus payment trade debtors. As a result, the risk exposure is effectively to an adverse movement in market prices between the time of trade and settlement.

Other credit risk within the Group is primarily attributable to its trade receivables and the majority represents balances due from other regulated financial institutions where there is an ongoing relationship between the Group and institution. Credit risk is therefore considered to be limited. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

Cash is held with UK banks. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies and since November 2008 the banks consist of certain eligible banks under the UK Government Credit Guarantee Scheme. The Group takes a conservative approach to treasury management and selection of banking counterparties, and carries out a regular review of all its banks' and custodians' credit ratings.

The following table discloses the Group's maximum exposure to credit risk on financial assets:

	At 30 June 2011 £'000	At 30 June 2010 £'000
Receivables at cost:		
Cash and cash equivalents	**121,951**	71,245
Trade and other receivables	**176,178**	104,174
Financial assets at fair value through profit or loss:		
Financial investments	**350**	471
Available-for-sale financial assets:		
Financial investments	**1,890**	1,851
	300,369	177,741

The following table contains an analysis of financial assets that are past due but not impaired at the balance sheet date. An asset is past due when the counterparty has failed to make a payment when contractually due.

The following table contains an analysis of financial assets that are past due but not impaired at the balance sheet date. An asset is past due when the counterparty has failed to make a payment when contractually due.

	Neither impaired nor past due £'000	0-3 months past due £'000	3-6 months past due £'000	6-12 months past due £'000	Over 12 months past due £'000	Total £'000
At 30 June 2011						
Trade and other receivables:						
Trade receivables	145,409	1,949	221	92	67	147,738
Other receivables	218	-	-	-	-	218
Prepayments and accrued income	28,222	-	-	-	-	28,222
	173,849	1,949	221	92	67	176,178
Held-for-trading assets	350	-	-	-	-	350
Available-for-sale assets	1,890	-	-	-	-	1,890
	176,089	1,949	221	92	67	178,418
At 30 June 2010						
Trade and other receivables:						
Trade receivables	85,823	4,444	565	417	57	91,306
Other receivables	343	1	-	-	-	344
Prepayments and accrued income	12,524	-	-	-	-	12,524
	98,690	4,445	565	417	57	104,174
Held-for-trading assets	471	-	-	-	-	471
Available-for-sale assets	1,851	-	-	-	-	1,851
	101,012	4,445	565	417	57	106,496

Notes to the Financial Statements

27. Financial instruments (continued)

The table below shows the credit quality of financial assets that are neither past due nor impaired using the following counterparty gradings:

- Financial institutions

  In respect of trade receivables, £14.5 million (2010: £3.2 million) is due from financial institutions regulated by the FSA in the course of settlement as a result of daily trading and £10.0 million (2010: £7.3 million) relates to revenue items due from financial institutions regulated by the FSA.

  For prepayments and accrued income, the balance predominantly relates to accrued interest due from financial institutions regulated by the FSA on own and client cash balances.

- Corporate clients

  Prepayments relating to businesses other than financial institutions, mainly purchase suppliers.

- Individuals

  In respect of trade receivables, the balance is related to amounts due from individual clients in the course of settlement as a result of daily trading.

  In respect of prepayments and accrued income, the balance includes management fees and charges due from clients.

	Financial institutions £'000	Corporate clients £'000	Individuals £'000	Total £'000
At 30 June 2011				
Trade receivables	24,811	37	120,561	145,409
Other receivables	218	-	-	218
Prepayments and accrued income	23,670	2,323	2,229	28,222
Held-for-trading assets	350	-	-	350
Available-for-sale assets	1,890	-	-	1,890
	50,939	2,360	122,790	176,089
At 30 June 2010				
Trade receivables	10,531	-	75,292	85,823
Other receivables	343	-	-	343
Prepayments and accrued income	8,482	2,108	1,934	12,524
Held-for-trading assets	471	-	-	471
Available-for-sale assets	1,851	-	-	1,851
	21,678	2,108	77,226	101,012

Capital management

Capital is defined as the total of share capital, share premium, retained earnings and other reserves. Total capital at 30 June 2011 was £130,867,000 (2010: £66,053,000) and this capital is managed via the net assets to which it relates.

Regulatory capital is determined in accordance with the requirements of the Capital Requirements Directive prescribed in the UK by the Financial Services Authority ("FSA"), and the Group's regulatory capital is divided into two tiers:

- Tier 1 capital, which is the total of issued share capital, retained earnings and reserves created by appropriations of retained earnings, net of the book value of goodwill and other intangible assets; and
- Tier 2 capital, which is unrealised gains arising on the fair valuation of equity instruments held as available-for-sale.

The Group's objectives when managing capital are i) to comply with the regulatory capital requirements set by the FSA; ii) to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and iii) to maintain a strong capital base to support the development of its business.

All regulated entities within the Group are required to meet the Pillar 1 regulatory Capital Resources Requirements (CRR) set out in the Capital Requirements Directive (the "Directive"). The CRR is the higher of i) the fixed overhead requirement and ii) the sum of the credit risk capital requirement and the market risk capital requirement.

The Group is also required to comply with the requirements of the Directive under Pillar 2 (Operational Risk) and Pillar 3 (Disclosure) in respect of the Group's regulatory capital requirements. The Directive requires continual assessment of the Group's risks in order to ensure that the higher of Pillar 1 and 2 requirements is met, the objective being to ensure that the regulated firms have adequate capital to enable them to manage their risks. The Group completes its assessment of regulatory capital requirements using its Individual Capital Adequacy Assessment Process ("ICAAP") under Pillar 2, which is a forward looking exercise that includes stress testing on major risks, such as a significant market downturn, and identifying mitigating action. The ICAAP covers current as well as projected capital requirements, and is used to manage regulatory capital. Under the requirements of Pillar 3, the Group is required to disclose regulatory capital information, and has done so by making the disclosures available in the Group's website at http://www.hl.co.uk/investor-relations/pillar-3-disclosures.

All of the regulated firms maintained surplus regulated capital throughout the year. The aggregated regulatory Pillar 1 capital surplus across the four regulated subsidiaries was approximately £46 million at 30 June 2011 (2010: £42 million).The regulated subsidiaries are limited in the distributions that can be paid up to the parent by their individual capital requirements. Capital adequacy and the use of regulatory capital are monitored by the Group's management.

Directors, Company Secretary, Advisers and Shareholder Information

EXECUTIVE DIRECTORS
Ian Gorham
Peter Hargreaves
Tracey Taylor

NON-EXECUTIVE DIRECTORS
Chris Barling
Jonathan Bloomer
Michael Evans
Stephen Lansdown

COMPANY SECRETARY
Judy Matthews

AUDITOR
Deloitte LLP, Bristol

SOLICITORS
Burges Salmon LLP, Bristol

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Lloyds TSB Bank plc, Bristol

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COMPANY NUMBER
02122142

Five Year Summary

	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
Revenue	**207,904**	**158,970**	**132,845**	**120,332**	**98,769**
Administrative expenses	(83,459)	(73,588)	(63,038)	(62,553)	(58,098)
Underlying operating profit	**127,481**	**89,811**	**69,807**	**57,779**	**40,671**
One-off administrative expenses	(3,036)	(4,429)	-	-	(29,628)
Operating profit	**124,445**	**85,382**	**69,807**	**57,779**	**11,043**
Investment revenue	1,496	854	2,534	3,113	1,430
Other gains and losses	72	59	740	53	11,917
Profit before tax	**126,013**	**86,295**	**73,081**	**60,945**	**24,390**
Tax	(34,066)	(25,020)	(20,968)	(18,551)	(7,435)
Profit after tax	**91,947**	**61,275**	**52,113**	**42,394**	**16,955**
Equity minority interests	(127)	(9)	10	7	-
Profit for the financial year attributable to members of the parent company	**91,820**	**61,266**	**52,123**	**42,401**	**16,955**
Equity shareholders' funds	130,801	66,114	84,720	70,371	44,495
Weighted average number of shares for the purposes of diluted EPS (million)	469.07	468.42	469.32	470.98	474.32
	pence	**pence**	**pence**	**pence**	**pence**
Equity dividends per share paid during year	6.78	16.636	7.809	3.065	3.00
Basic earnings per share	19.8	13.2	11.2	9.1	3.6
Diluted earnings per share	19.6	13.1	11.1	9.0	3.6
Underlying basic earnings per share	20.3	14.0	11.3	9.1	6.5
Underlying diluted earnings per share	20.0	13.9	11.3	9.0	6.4

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HARGREAVES LANSDOWN