

Hargreaves Lansdown plc

Report and Financial Statements

for the year ended 30 June 2010



Registered number: 02122142

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Our aim

We aim to help investors make more of their investments by providing **the best information, the best service and the best prices** in a manner which creates most value for our shareholders.

About us

Hargreaves Lansdown distributes investment products and **attracts high quality earnings** derived from the value of investments under administration or management.

Our success can be attributed to innovative marketing, and a focus on high levels of client satisfaction and retention through the provision of **first class service and information**. The Company employs a unique direct selling model which is cost effective, scalable and affords a high profit margin.

At a glance

- Total net business inflows up 65% to **£3.3bn** (2009: £2.0bn)
- Active Vantage clients increased by **48,000** since 30 June 2009
- Revenue increased by 20% to **£159.0m** (2009: £132.8m)
- Profit before tax increased by 18% to **£86.3m** (2009: £73.1m)
- Adjusted diluted earnings per share* increased by 23% to **13.9 pence** (2009: 11.3p)
- Assets under administration increased by 47% to **£17.5bn** (2009: £11.9bn) outperforming the FTSE All-Share index which increased by 17%
- Total dividend payout for the year increased by 18% to **11.88 pence** (2009: 10.101p) per share **

(*) Underlying EPS based upon underlying earnings before investment gains and before one-off costs relating to the new office and the weighted average fully diluted share capital.

(**) Comprising 8.0 pence interim dividend, 1.6 pence special interim dividend and 0.58 pence proposed final dividend and 1.70 pence proposed special dividend.

Issued by Hargreaves Lansdown plc
One College Square South, Anchor Road, Bristol, BS1 5HL
Registered number: 02122142

Highlights

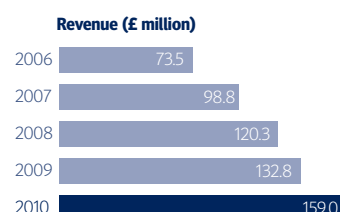
We have had a record year of financial performance. Revenue was **£159.0 million** and profit before tax increased by 18% to **£86.3 million**. Adjusted diluted earnings per share and dividends per share were higher by **23%** and **18%** respectively.

	2010	2009	Movement
Revenue	£159.0m	£132.8m	+20 %
Proportion of recurring revenue	72%	70%	+2 pts
Adjusted profit (*) before tax	£90.7m	£74.5m	+22%
Profit before tax	£86.3m	£73.1m	+18 %
Adjusted operating profit (*) margin	56.5%	53.6%	+2.9 pts
Operating profit margin	53.7%	52.5%	+1.2 pts
Total assets under administration	£17.5bn	£11.9bn	+47 %
Adjusted (*) diluted earnings per share	13.9p	11.3p	+23%
Net new Vantage clients	48,000	31,000	+55%
Net business inflows	£3.3bn	£2.0bn	+65%

(*) Adjusted profit excludes one-off costs relating to the new office, as detailed in the Financial Review.

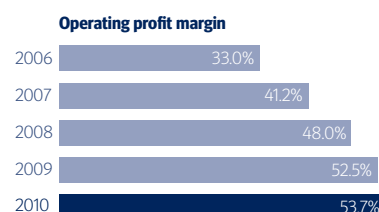
20% increase in revenue:

Revenue increased by 20% to £159.0 million, being driven by an increase of £24.7 million from the Vantage division. Vantage revenue has benefited from improved revenue margins on funds, increased assets under administration and a full year's revenue on assets secured in the previous year, all of which have more than offset the fall in revenue margin on cash. The proportion of recurring revenue i.e. management fees, renewal commission and interest, remained high at 72% (2009: 70%).



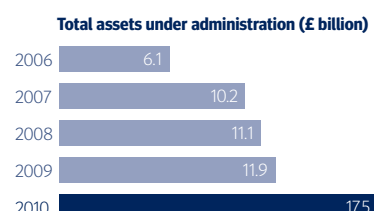
Adjusted operating profit margin of 56.5%:

Costs have been well controlled during the year. The Group's adjusted operating margin has increased by 2.9% to 56.5%. The increase resulted from 20% revenue growth coupled with an increase to operating costs of 12%.



£17.5 billion total assets under administration:

The 47% growth in asset values is attributable to strong new business volumes combined with a significant market increase. There was a 17% increase in the FTSE All-Share index during the year.

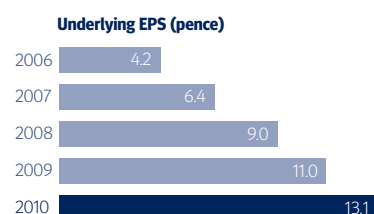


23% increase in adjusted diluted EPS:

from 11.3 pence to 13.9 pence

18% increase to total dividend payout:

from 10.101 pence to 11.88 pence



Our Business

Hargreaves Lansdown 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.

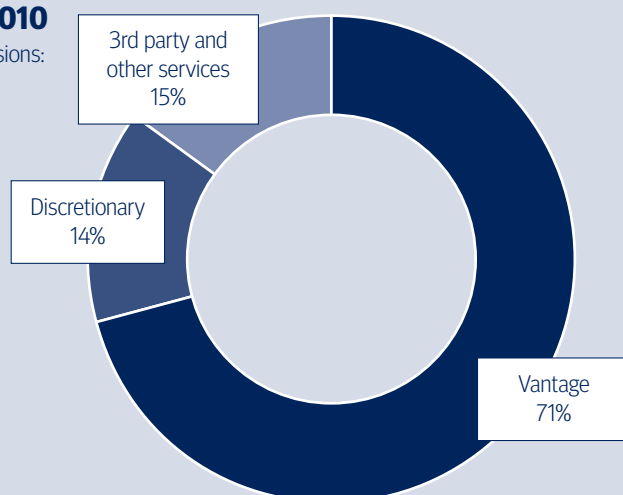
The Group's flagship service, Vantage, is a direct-to-private investor fund and wrap platform. Vantage offers clients the administrative convenience of being able to hold and manage their investments, including unit trusts, OEICs, equities, bonds, investment trusts and cash, irrespective of the tax vehicle, in one place with consolidated valuation reports, a single dealing service and instant online access.

The Group also provides investment management, independent financial advisory and stockbroking services to private investors and advisory services to companies in respect of group pension schemes.

Revenue contribution 2010

We have three main operating divisions:

- Vantage
- Discretionary
- 3rd Party and other services



Assets under administration at 30 June 2010

£17.5 bn (2009: £11.9 bn)

Revenue for the year to 30 June 2010

£159.0 m (2009: £132.8 m)

Profit before tax for the year to 30 June 2010

£86.3 m (2009: £73.1 m)

Employees (excluding directors) at 30 June 2010

631 (2009: 589)

Offices

Bristol, also satellite office in London, and financial advisors throughout the UK

Website

www.H-L.co.uk

Recent awards

2009/2010

- Best SIPP Provider - What Investment
- Best Independent Financial Adviser - What Investment
- Best IFA Firm - Unbiased.co.uk
- Media IFA of the year - Danny Cox - Unbiased.co.uk
- Best Pensions IFA - Tom McPhail - Unbiased.co.uk

2008/2009

- Best Investment Advisor - Money Marketing Awards
- Lifetime Achievement Award - Peter Hargreaves - New Breed Advisor Awards
- Best use of Platform Technology - New Breed Advisor Awards
- Best Online IFA - Online Finance Awards
- Best IFA - Personal Finance Awards
- Best SIPP Provider - What Investment

Our Objectives

Hargreaves Lansdown is in business to help investors make more of their money by providing a combination of the best information, the best service and the best prices in its areas of operation, thereby creating value for clients, staff and shareholders.

Objectives

- We aim to attract and retain clients by identifying and satisfying their investment requirements fairly and profitably. Whether they are making their own investment decisions, or looking for advisory or discretionary services, we aim to offer a broad range of investment solutions.
- We strive to make Hargreaves Lansdown the best and most profitable in all the areas in which it operates.
- We strive to provide shareholders with a growing stream of dividend income, delivered by steady and consistent growth in earnings per share as market conditions permit.
- We aim to provide our staff with satisfying careers and an opportunity to contribute to and participate in the success of the business.

Strategy

To fulfil our objectives, we need to command and retain the trust of our clients by consistently delivering on the commitments we make. We must maintain our client focus, putting the best long term interests of the client first, regardless of short term pressures, fashions or market conditions. By creating value for our clients, we believe we will create long term value for shareholders and provide fulfilling careers for our staff.

In particular, we shall focus on the following:

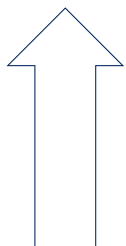
- Continued direct, quality service to generate growth in Vantage, our direct to investor fund and wrap platform;
- Delivering strong performance to increase assets under management in the Hargreaves Lansdown range of multi-manager funds and our Portfolio Management Service;
- Continuing to provide a premium personal financial advisory service, using our direct mail expertise to streamline the advisory process;
- Continuing to provide a high quality Stockbroking service;
- Continuing in our commitment to provide high quality service to clients through all the channels available, and in particular helping more clients to benefit from online usage;
- Providing independent, clear information, or advice if preferred, so that people can identify their financial priorities and choose appropriate products and solutions;
- Continuing to improve earnings quality within the business;
- Heightening the visibility of the Hargreaves Lansdown brand;
- Increasing operational efficiency and maintaining rigorous cost control; and
- Managing risk effectively.

Chairman's Statement

I am pleased to report that the Group has had another successful year which is very satisfying in view of the economic uncertainty both in the UK and indeed globally.

“Our staff remain our most important asset and everything we do would not be possible without their hard work and commitment.”

The Board is proposing a final ordinary dividend of 0.58 pence (2009: 4.229p) and a special dividend of 1.7 pence (2009: 2.807p)



Total dividends have increased by 18%

2010: 11.88 pence
2009: 10.101 pence

Profit before tax increased by 18% from £73.1 million to £86.3 million, and turnover increased by 20% from £132.8 million to £159.0 million. Our percentage of revenue which is recurring in nature (i.e. renewal income, management fees and interest) rose slightly to 72% compared to 70% for the previous year, driven by the significant increase in assets under administration which in turn has driven renewal income and management fees.

Operating costs continue to be well controlled allowing our adjusted operating profit margin to increase from 53.6% to 56.5%. Adjusted diluted earnings per share have risen by 23% to 13.9 pence compared to 11.3 pence for 2009.

During the year our assets under administration increased from £11.9 billion to £17.5 billion. This includes £1.8 billion of assets under our own management. Total assets under administration increased by 47% compared to an increase in the FTSE All-Share index of 17%.

Dividend

The performance of the Group has allowed us to propose a final ordinary dividend of 0.58 pence per share increasing the total ordinary dividends up to 8.58 pence per share for the year. This total dividend payout equates to 65% of post tax profits.

As in previous periods we have reviewed our cash requirements going forward and are pleased to propose a special dividend of 1.70 pence per share. This equates to a further 25% of post tax profits when the special interim dividend of 1.6 pence per share is added and this takes the total dividend payout for the year to 11.88 pence per share. We remind shareholders that any special dividend in future years will depend upon our future cash requirements and therefore may vary.

Staff

Hargreaves Lansdown is in business to help clients make more of their money by providing the best information, the best service and the best prices. We have continued to attract new clients and retain

existing clients. Our staff remain our most important asset and everything we do would not be possible without their hard work and commitment.

Offices

On 15 February 2010, we successfully moved into our new offices, One College Square South, Bristol; the culmination of many months of hard work by a number of our staff. The new working environment is of a high quality, befitting of one of the larger employers in the city.

Board changes

Over the course of the year there has been a lot of focus on ensuring an orderly process of senior management succession as the Company enters the next stage of its development. As a result, a number of changes have now been made to the membership of the Board.

As had previously been announced, Stephen Lansdown stepped down as Chairman on 1 December 2009 and it was a great honour for me to become non-executive Chairman the same day. Having overseen the successful office move, Stephen focused on providing support and challenge to all parts of the business before taking a sabbatical in the summer months. The Board has agreed with Stephen that the most appropriate way to provide ongoing challenge and support is as a non-executive director. Therefore on 26 August 2010 he stepped down as an executive director and was appointed as a non-executive director (although due to his previous executive role we accept that we cannot deem him to be independent).

Ian Gorham joined the business in September 2009 as Chief Operating Officer. He very quickly demonstrated his capabilities and we recognised his potential to be a future leader of the business. Peter Hargreaves had indicated his desire to step down as Chief Executive at the appropriate time, but remain heavily involved in the business. Therefore on 26 August 2010, we were delighted to confirm the appointment of Ian Gorham as an executive director, a few days before taking on the position of Chief Executive.

Chairman's Statement

Earlier in the year, to bring more balance to the Board, the Nominations Committee decided to appoint a further non-executive director. Rather than engage a firm of headhunters, it was decided that we would advertise the position to a subset of our clients. An initial mailing of some 8,000 clients resulted in approximately 150 high quality applications. Following the selection criteria laid down by the Nominations Committee, and after two rounds of interviews, we were delighted to appoint Chris Barling to the Board on 26 August 2010. Chris is currently CEO of Actinic, a privately owned software company. We believe Chris' extensive IT experience will bring greater breadth of skills to the Board.

These appointments mean we now have a Board of eight directors, of whom three are executives, four are non-executives, and myself as non-executive Chairman. We believe it is a strong board to support the new Chief Executive, and importantly retains the ongoing input of the two founders who remain the largest shareholders in the Company.

Peter Hargreaves and Stephen Lansdown founded this great company way back in 1981 and have personally overseen its development into a highly profitable, client

oriented, public listed company. I would like to thank them both for their enormous contribution to the Company and am delighted that they will continue to provide guidance to the Company in their respective new roles.

During the year, Simon Power decided to step down as Company Secretary to focus on his role within the Finance team. I would like to thank Simon for his valued work during his time as Company Secretary. On 30 March 2010, we were delighted to appoint Judy Matthews as the new Company Secretary.

Regulation

The final details of the Retail Distribution Review should be issued by the Financial Services Authority in the autumn of this year, following a consultation paper issued in March 2010 which focused specifically on platforms such as our Vantage service. This contained some proposals that may necessitate significant change for our industry. We have sought to make our views known through this consultation process and await the final outcome with interest. We believe our business has little to fear from sensible regulatory change and indeed is well placed to take advantage of the more transparent and competitive market

conditions that the RDR is intended to introduce. We will continue however to be vigilant in monitoring the impact of the new proposed regime for platforms as more details emerge. The new Coalition Government has announced changes to the Financial Services Authority and this will have an impact on how we are regulated in the future and we need to watch this very carefully.

Conclusion

Peter Hargreaves in his Chief Executive report has highlighted the performance of the Group and the outlook for the future. The Board of directors, together with the Executive Committee, has operated efficiently and diligently during the year and I would like to thank all my fellow directors for their contribution. Our trading performance demonstrates the resilience of our business model. The continued development of our Board, Executive Committee and subsidiary Boards illustrates the strength and depth of the management team and the robustness of our corporate governance.

Michael Evans
Chairman

8 September 2010

Chief Executive's Statement

We are pleased to present our final results for the year ended 30 June 2010.

Turning the clock back twelve months we entered this year under review with more trepidation than for many years. The government were doing the only thing they knew; trying to spend us out of our problems. Interest rates were historically low and the recession was a constant worry. The stock market was 33% lower (FTSE All-Share) than it had been at the turn of the millennium, and doom and gloom abounded.

The only glimmer of light at the end of a very long tunnel was that low interest rates were driving investors to examine other forms of income producing assets. We were also seeing increasing interest in our services and for that we would thank our existing clients who willingly extolled the virtues of our service supplementing the efforts of my excellent marketing team.

There have been two significant highlights during the year. The first has been the unprecedented amount of new business. In almost every part of the firm we have seen substantial increases in volumes. Indeed during the year we did top one million stockbroking deals.

The other area which was encouraging was the buoyancy of stock markets, which saw the FTSE All-Share index rise to a high of 2989.13 in April 2010 from just 2172.08 on 1 July 2009 (the beginning of our accounting period). The level of the market is critical for our earnings.

Outlook and strategy

It is always difficult to forecast the coming year when the time I write this statement is during the summer months which historically are always quieter. This year is no exception. There are however many things that encourage us for the coming year. First of all our new Corporate Vantage proposition is being very well received in its marketplace. This enables us to put another

piece in our jigsaw puzzle ensuring that all our earnings are on a similar basis. Elsewhere we have restructured our Financial Practitioners division which means we are probably ahead of the game in preparation for the Retail Distribution Review which seems to be paralysing most of the rest of the financial services industry. Most encouraging of all is the number of new clients who find their way to our door, or rather more precisely to our website. The increase in the UK's savings ratio is a cause for optimism. Whilst this ratio has been mainly affected by people paying down debt, eventually some of those increased savings are likely to end up with us.

A year ago I warned that the year ending June 2010 would see a substantial reduction of income as a result of the low interest rate environment. That situation has not changed but in the forthcoming year we will be comparing those earnings with a similar low potential year of earnings due to the likely continuation of low interest rates.

I could not review this year without mentioning our new office. I must applaud our IT team and all the other members of staff who worked to make the office move so painless. We are very proud of our new office. It is wonderful that once more I have the opportunity to see all the staff every day and being under one roof we have already generated new ideas as well as savings and believe there are many more that we shall establish over the year.

Summary

I suspect the problems that we can foresee at the moment are less critical than the ones we envisaged a year ago. At that time we faced a significant loss of income through lower interest rates, and the office move was in front of us. Today we are completely settled in our new home and we have found recruitment not only easier than ever before but the quality of our recruits is excellent.

We also have the advantage of significantly higher assets under administration on which we earn most of our income, although as a significant portion of our earnings are based on the value of our clients' investments at the end of each month our results going forward will be affected by market performance.

My new role

I shall be stepping down as Chief Executive on 2 September 2010 and I am delighted to hand on that role to the very safe pair of hands of Ian Gorham. It is also gratifying to know that right throughout the firm every senior position is covered by at least one very able understudy.

I have enjoyed being Chief Executive of Hargreaves Lansdown over the years. The business is my life's work and the only thing I can do now is to assure both clients and investors that I have not handed on this position lightly. Ian Gorham is I believe the right man for this job. Indeed the business has changed so much that it now needs different skills, ones that Ian possesses in abundance. I must thank everyone in the firm who has worked with me over the years and helped me make Hargreaves Lansdown the successful and prosperous business it is today.

I shall remain as a Director of Hargreaves Lansdown, although I will be reducing my workload to 3 to 4 days a week. My passion has always been in ensuring client literature and marketing initiatives are the best they could possibly be; therefore my focus will be on providing challenge to ensure we keep the highest possible standards in these important areas.

Peter Hargreaves
Executive Director
8 September 2010

Operating and Financial Review

This Operating and Financial Review ('OFR') describes the main trends and factors underlying our performance and position during the year ended 30 June 2010 as well as those which are likely to affect us in the future. This OFR has been prepared with consideration to the guidance provided in the UK Accounting Standard Board's 2006 Reporting Statement on OFRs.

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

Long term strategy and key objectives

Hargreaves Lansdown is a leading provider of investment management products and services to private investors in the UK.

Our flagship service, Vantage, is a direct-to-private investor fund and wrap 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 addition to offering externally managed investment products, we manage funds through our own range of multi-manager funds and PMS, our discretionary portfolio management service. We also provide independent financial advisory and stockbroking services to private investors and advisory services to companies in

respect of group pension schemes.

In providing this breadth of services direct to the private investor, we offer a compelling proposition for clients.

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 initial 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.

Our strategy is focused on growing the value of assets we have under administration or management and consequently increasing our revenues, maintaining tight cost control and improving our profit margin. In particular, we will focus on:

Administration

- providing high quality information and services to our clients
- continuous improvements to our platform and infrastructure
- giving clients the confidence and support to transact business online
- motivating and retaining our talented employees
- maintaining our client-focused and entrepreneurial culture
- cost control and operational efficiency

Marketing

- maintaining our dialogue with clients
- expanding our investor database
- improving our range of services
- remaining flexible, responsive and opportunistic
- maintaining and improving our profile
- continual improvement of data capture and data mining

Competition and markets

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 and those fund supermarkets and wrap platforms which are available direct to the private investor. We believe that Vantage is the largest direct-to-private investor fund supermarket and wrap platform in the UK. Our target market is the UK mass affluent population looking to invest their savings.

Operating and Financial Review

Performance

We use a range of indicators across each of the divisions in order to assess performance. However, 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 Operating and Financial Review, and the Chairman's and Chief Executive's Statements.

Strategy/objectives	Performance indicator	2010	2009	
Growing the value of assets under administration and management	Total assets under administration (AUA)	£17.5bn	£11.9bn	+47%
	FTSE All-Share index (1)	2543.47	2172.08	+17%
Improving earnings quality	Percentage of recurring revenue (2)	72%	70%	+2pts
	Proportion of assets earning recurring revenue (3)	86%	86%	-
Generating growth in Vantage	Number of active Vantage clients (4)	330,000	282,000	+17%
Maintaining tight cost control and operational efficiency	% adjusted operating profit margin (5)	56.5%	53.6%	+2.9pts
Shareholder value and superior financial performance	Adjusted diluted earnings per share (6)	13.9p	11.3p	+23%

Notes:

1. The closing values as at 30 June 2010 and 30 June 2009, 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. 2009 figure includes 6,000 clients previously classified as "Other AUA".
5. Adjusted operating profit (before investment gains and excluding one-off costs relating to the new office) divided by revenue.
6. Based upon earnings (before investment gains) and before on-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 it has increased its **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 2010 the value of total assets under administration grew by 47% from £11.9 billion to £17.5 billion. This is primarily made up of £16.3 billion (2009: £10.9 billion) of assets held within the Vantage service, with the remainder being assets held within the Portfolio Management Service. The 47% (2009: 7%) growth in asset values was attributable to strong new business volumes, combined with a

significant market increase. During the 2010 financial year, the FTSE All-Share index rose by 17% (2009: fell by 24%) and has on average been 17% higher (2009: 28% lower) than during the previous year.

The Vantage service allows clients to hold assets in tax efficient wrappers such as an ISA or SIPP, or alternatively in a Fund and Share Account. The highest growth in asset values during the year was evident in the SIPP, increasing by 58%.

As at 30 June 2010, the value of the Vantage ISA was £6.9 billion, (30 June 2009: £4.7 billion), the Vantage SIPP was £4.6 billion (30 June 2009: £2.9 billion) and the Vantage Fund and Share Account was £4.8 billion (30 June 2009: £3.2 billion).

Total assets under administration can be broken down as follows:

	At 30 June 2010 £'billion	At 30 June 2009 £'billion
Vantage Assets Under Administration (AUA)	16.3	10.9
Assets Under Administration and Management (AUM)		
- Portfolio Management Service (PMS)	1.2	1.0
- Multi-manager funds outside of PMS	0.6	0.4
AUM Total	1.8	1.4
Less: Multi-manager funds included in both AUA and AUM	(0.6)	(0.4)
Total Assets Under Administration	17.5	11.9

Operating and Financial Review

The £5.4 billion (2009: £0.7 billion) increase in Vantage assets from £10.9 billion to £16.3 billion can be attributed to £3.2 billion of net new business inflows (2009: £1.8 billion), other positive growth factors with a value of £0.2 billion (2009: £0.1 billion), such as retained investment income and £2.0 billion of stock market increase (net of interest credited to clients on cash balances) compared to £1.2 billion of market decline in 2009.

Vantage clients decreased their cash weightings during the period as worldwide stock markets began to recover and their appetite to invest in equities and funds returned. The composition of assets across the whole of Vantage changed during the period. As at 30 June 2010, Vantage assets were held 28% as equities (30 June 2009: 26%), 60% as funds (30 June 2009: 58%) and 12% as cash (30 June 2009: 16%).

The value of assets managed by Hargreaves Lansdown through its own range of multi-manager funds and PMS increased by £0.4 billion to £1.8 billion as at 30 June 2010 (2009: £1.4 billion). Of these assets under management, £0.6 billion were held within Vantage as at 30 June 2010 (2009: £0.4 billion). The growth in assets is due to a positive market growth of £0.2 billion combined with net new business of £0.2 billion.

Analysis of our assets under administration suggests that the **FTSE All-Share index** is the most 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 17% during the year ended 30 June 2010, from 2172.08 to 2543.47, reversing much of the 24% fall in the prior year. On average the

FTSE All-Share index has been 17% higher than during the 2009 financial year. The positive effect of the market during the year combined with the record year for net new business has driven the 47% growth to total AUA.

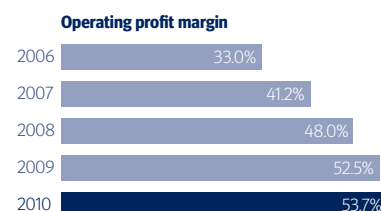
The importance of AUA is that they produce a recurring revenue stream made up of renewal commission, management fees and interest. The **percentage of recurring revenue** attributable to these 'quality earnings' increased from 70% in 2009 to 72% in 2010. The value of recurring revenues increased by 22% from £93.2 million to £113.8 million.

Not all of our AUA generate recurring revenue. For example, there are no annual charges levied on equities held in the Vantage Fund and Share Account. For these assets the Group receives dealing commission based upon the levels of trading activity. 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 remained the same as in 2009 at 86%. This can largely be attributed to the substantial volume of Hargreaves Lansdown shares in the Fund and Share account which, like all equities in this account, do not generate any recurring revenue. The price of Hargreaves Lansdown shares ended the year 65% higher, with a value of £1.1 billion on the platform compared to an opening value of £0.7 billion.

The indicators mentioned above provide a useful measure of how successful the Group has been in gathering assets under administration. 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 2010, the number has increased by 17% (2009: 13%) and as at 30 June 2010 stood at 330,000.

The **operating profit margin** is another key financial indicator, increasing from 52.5% to 53.7%. Alternatively using the adjusted operating profit margin, where we exclude any investment gains and one-off costs relating to the new offices, the increase is from 53.6% to 56.5%. The chart depicts how the operating margin has grown significantly year-on-year since 2006.



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 **adjusted diluted earnings per share** figure, adjusted to exclude the impact of investment gains and the one-off costs of the new office, to be the most appropriate measure of performance. This increased by 23% in the year from 11.3 pence to 13.9 pence.

Financial review

	2010 £'million	2009 £'million
Revenue	159.0	132.8
Administrative expenses	(69.2)	(61.6)
One-off administrative expenses	(4.4)	(1.4)
Adjusted operating profit (*)	89.8	71.2
Operating profit	85.4	69.8
Non operating income	0.9	3.3
Profit before taxation		
- Before one-off expenses	90.7	74.5
- After one-off expenses	86.3	73.1
Taxation	(25.0)	(21.0)
Profit after taxation	61.3	52.1

(*)Adjusted operating profit is before investment gains and excludes one-off costs relating to the new office

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It has been a record year for the Group in terms of revenue, profits, client recruitment and new business volumes. A rise in stock markets during the year has helped to increase assets under administration (AUA) and the revenue derived from them, but the more significant contribution has come from record levels of organic growth in the form of new business and new clients. At the same time the economic environment has been a difficult one and the historically low interest rates seen throughout the year have caused a significant headwind. As a result the revenue derived from client cash has been reduced by £10.6 million this year but this was more than offset by the increase to revenue from market growth and net new business. Overall, the Group has increased revenue by £26.2 million or 20%.

The Group's adjusted operating profit increased by 26% to £89.8 million in 2010 compared to £71.2 million for 2009. The Group's adjusted operating profit margin increased from 53.6% to 56.5%. The increase resulted from 20% revenue growth, coupled with tight cost management resulting in an increase to administration expenses of just 12%.

There were £0.9 million of investment revenue and other gains during the year compared to £3.3 million in the year ended 30 June 2009. The lower value in the current year is predominantly due to interest revenues received on the Group's own cash balances being £1.6 million lower as a result of the lower interest rate environment; the prior year also included an additional deferred consideration on the disposal of a fixed asset investment during an earlier year, which resulted in net gains of £0.7 million. The Group's reported profit before tax increased to £86.3 million, compared to £73.1 million in the previous year. The effective tax rate for the Group this year was 28.9% which has resulted in a reported profit after tax for the year of £61.3 million, compared to £52.1 million for the previous year.

Revenue

During the 2010 financial year the predominant factor affecting revenue has been the significant difference between interest rates prevailing during the year and the rates achieved during the previous financial year. This single factor has created a significant headwind on the current year's profitability in comparison to the previous year. Whilst interest rates remain low this will have a continuing effect on profitability.

Revenue by division

	Year Ended 30 June 2010 £'million	Year Ended 30 June 2009 £'million
Vantage	112.2	87.5
Discretionary	22.9	19.3
Third Party and other services	23.9	26.0
	159.0	132.8

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

The **Vantage** division increased its revenues by £24.7 million, from £87.5 million to £112.2 million. This resulted from growth in assets under administration from £10.9 billion to £16.3 billion, the impact of a full year's income on assets acquired during the previous year offset by lower revenue margins. The overall average monthly revenue margin within Vantage decreased from 92bps per annum in 2009 to 78bps per annum in 2010, as a result of the lower interest rates.

In last year's annual report we highlighted how the divergence between the base rate and LIBOR had created increased interest returns on cash and how this began unwinding in the second half of last year. This unwinding continued into the 2010 financial year and has caused reduced margins on cash balances such that interest revenue of £20.5 million in 2010 was 34% down on the prior year value of £31.1 million.

The **Discretionary** division earns recurring income on underlying investments held in PMS, and on investments in the Group's multi-manager funds. Revenues in the Discretionary division increased by 19% from £19.3 million to £22.9 million. Increased renewal commissions and management fees resulting from the increase in AUA were the key drivers. The value of Hargreaves Lansdown's multi-manager funds increased from £1.3 billion to £1.7 billion between 30 June 2009 and 30 June 2010. As at 30 June 2010, 66% of these were held within PMS, 33% were held within Vantage and the remainder were held directly.

This division also earns initial charges and management fees on assets introduced into

the Group's Portfolio Management Service (PMS). The value of assets managed in PMS increased by 27% from £982m to £1,249m. This growth was driven by £99m of net new business and £168m of market growth. The sole distribution of PMS is through the Group's team of advisors. The number of advisors decreased from 75 at the start of the year to 62 by 30 June 2010, including 6 advisors allocated to the division's telephone service. The proportion of PMS assets invested in Hargreaves Lansdown multi-manager funds increased from 89% to 91% during the year.

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. Taking a longer time horizon of five years, all three of the funds that have been in existence that long, have also outperformed their IMA sector average.

Hargreaves Lansdown's **Third Party and other services** division comprises those investment products which are distributed by the Group but not held in Vantage accounts. These include corporate pensions, personal pensions, annuities, third party investment products and venture capital trusts. In addition this division includes the stockbroking services we provide, namely certificated share dealing, CFD's, spread betting and currency service. The division as a whole saw a fall in revenues of 8%, from £26.0 million to £23.9 million. Of the £2.1 million decrease, £1.6 million can be attributed to a decrease in revenue from corporate pensions and £0.6 million to a decrease in revenue from personal pensions. Revenue from the previous year was boosted by particularly strong volumes of annuity sales and higher levels of income from the implementation of new corporate pension schemes. This combined with the fact that more clients are choosing to transfer their pension assets onto the Vantage platform has caused this decline. The transferring of assets across to the Vantage platform is a trend expected to continue. Although individual annuity sales dropped, corporate annuity income grew by £0.3 million. Successful marketing and ease of execution through our website have helped drive this increase in completed annuities.

The division continues to focus its marketing efforts to raise awareness of the Hargreaves Lansdown Corporate Vantage service. Over time, management expects a transition in

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corporate pensions away from the traditional initial commission model to a Group SIPP 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.

Revenue from the Third Party Investments business increased by £0.5 million due to increased renewal commission on the increased asset values. This more than offset the trend of clients choosing to transfer their investments onto the Vantage platform, a trend that increases the long term quality of earnings but reduces income classified as third party.

Revenue from Other Services, which include CFDs, spread betting, currency services and certificated dealing, declined by £0.3 million due primarily to lower spread betting revenues.

Across the Group, record stockbroking volumes have been transacted in terms of equity and fund deals both of which are up year on year by 44% and 58% respectively. The revenue from these deals is primarily accounted for in the Vantage division. Currency and spread betting trades are also up year on year whilst certificated deal and CFD trades are lower.

Administrative expenses before one-off costs

	Year Ended 30 June 2010 £'million	Year Ended 30 June 2009 £'million
Staff costs	36.0	37.2
Commission payable	11.8	8.3
Marketing costs	8.2	6.0
Depreciation, amortisation and financial costs	2.7	1.9
Other costs	10.5	8.2
	69.2	61.6

Administrative expenses before one-off costs have increased by 12% from £61.6 million to £69.2 million. The above expenses exclude the one-off administrative expenses relating to the Group's relocation to its new office in February 2010.

Taken in the context of a 20% increase in revenue and a 26% increase in adjusted operating profit year on year, the 12% increase in administrative expenses shows

that we have maintained a strong focus on cost control and efficiencies and also demonstrates the scalability of our business model.

The Group's largest cost remains staff costs, which represents 52% of administrative expenses (2009: 60%) and which as a percentage of administrative expenses decreased by 8%. The number of staff (including directors) employed at 30 June 2010 was 644, and the average number of staff during the year was 628, an increase of 3% against an average of 607 for the comparative year. The increase in staff numbers results mainly from an increase in the volume of business transacted during the year and was most marked in the months surrounding the tax year-end.

Commission payable includes the share of renewal commission which the Group receives on funds held in Vantage which is rebated back to clients as a cash loyalty bonus (except with respect to those funds held in the SIPP). It increased by 42%, from £8.3 million to £11.8 million, in line with the rise in value of the related client assets.

Group marketing spend increased by 37%, from £6.0 million to £8.2 million. This includes the costs of sending information to existing and potential clients, including the Group's flagship publication, the Investment Times. These costs also include an element of 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 in the year compared to the previous financial year. Whilst increasing the level of overall communication, we have maintained a focus on trying to increase the proportion of client marketing taking place online or via email, in order to minimise costs. The use of the internet is also helping to both improve service and save costs as clients opt out of receiving paper valuations and contract notes and instead receive them in electronic format through our secure website. As at 30 June 2010, 33% had opted to receive such documents electronically.

The capital expenditure of the business increased significantly in the year due to the completion of the new office for business use. Accordingly, the charge for depreciation, amortisation and financial costs for the year increased from £1.9 million to £2.7 million. The increase is predominantly an increase in depreciation arising from fixtures and fittings and additional computer equipment at the

new office location.

Other administrative costs and overheads include items such as building and utility costs, dealing costs, irrecoverable VAT, compliance costs, insurance, professional services, computer maintenance and external administration charges. These increased by 28% from £8.2 million to £10.5 million. Some of these costs increased due to higher business volumes, large step increases relate to the rent and rates associated with the new office.

Non operating income

Investment revenues decreased from £3.3 million to £0.9 million. The fall was due to a £1.6m reduction from interest on the Group's cash balances due to the fall in interest rates and the fact that last year included an investment disposal gain of £0.7 million.

Taxation

Taxation increased from £21.0 million to £25.0 million. The higher charge can be attributed to an increase in pre-tax profits, whilst the effective tax rate has increased to around 28.9%, which is above the standard rate of taxation of 28% due to the disallowable costs incurred in connection with the new office.

Earnings per share (EPS)

The basic diluted EPS increased by 18% from 11.1 pence to 13.1 pence. Adjusted diluted EPS increased by 23%, from 11.3 pence to 13.9 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 new office, divided by the total weighted average fully diluted number of shares, including those held by the Employee Benefit Trust (the "EBT"). As at 30 June 2010, the EBT held sufficient shares to satisfy all outstanding share options granted under the Employee Share Schemes.

Dividend

The directors are now recommending a final ordinary dividend of 0.58 pence per ordinary share and a special dividend of 1.70 pence per ordinary share, payable on 29 September 2010 to all shareholders on the register at the close of business on 10 September 2010. When added to the ordinary interim dividend of 8.0 pence per share and the special interim dividend per share of 1.6 pence per share, this brings the total dividends in respect of

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the year to 11.88 pence per ordinary share (2009: 10.101p). Further information on the interim dividend is given overleaf.

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

Cash flow and capital expenditure

Capital expenditure increased significantly from £1.6 million to £8.1 million, the majority of which related to the new office and therefore does not represent a normal ongoing level of capital expenditure.

The Group is highly cash generative with the only significant outgoing from underlying profits during the current year being the payment of a dividend.

The total cash balance of £71.2 million reported in the balance sheet includes £9.7 million of client settlement account balances. The Group's own cash balances decreased from £77.2 million to £61.5 million during the year. This includes cash held within the EBT which has decreased from £6.8 million as at 30 June 2009 to £3.3 million at 30 June 2010 following the purchase of additional Hargreaves Lansdown plc shares during the year. The decrease in cash was also caused by the high dividend payments made in the year which included last year's declared final dividend of £32.7m (2009: £22.0 million) plus this year's higher than usual level of interim dividend of £44.6 million (2009: £14.2 million). Given that a large proportion of shares in the Company are held by private individuals, the Board resolved that it was appropriate to pay as much of an interim dividend as possible prior to the end of the tax year ended 5 April 2010, in advance of the 10% increase to the top rate of tax for individual taxpayers.

Net assets, capital requirement and treasury policy

Group net assets decreased from £84.6 million to £66.1 million. The decrease includes the effect of the high dividend payments made in the year.

The Group has four subsidiary companies which are authorised and regulated by the Financial Services Authority. These firms maintain capital resources at a level which satisfies both their regulatory capital requirements as well as their working capital requirements. As at 30 June 2010, the aggregated Pillar 1 regulatory capital

requirement across the four regulated subsidiary companies was approximately £7.5 million compared to capital resources of approximately £49.3 million, which resulted in a surplus of approximately £41.8 million. The Group has no borrowings and deposits its liquid funds with selected financial institutions with high credit ratings. In 2010, the Group's funds were held with no fewer than three of these institutions and up to as many as five. The Board reviews its usage of banks on a regular basis with the primary objective of ensuring the security of its assets and the secondary objective of maximising its return on them. The Group actively maintains cash balances on short term deposit to ensure that it has sufficient available funds for operations. This policy is designed to ensure that the Group takes no material credit risk.

The Group is not exposed to significant foreign exchange translation or transaction risk.

Operations

IT

We continue to run the vast majority of our administration and systems development in-house rather than outsourcing to third parties. In particular, we maintain full control of the Vantage platform which is fundamental in the administration of both Vantage and the Portfolio Management Service. The notable exception is the administration of our multi-manager funds which is currently outsourced. We believe that having control of our own platform gives us the ability to control service levels and react quickly to changing markets and the needs of our clients. Those areas of our business which are outsourced are kept under close review to ensure they continue to meet our standards.

We have a continuing programme of work to further improve the performance and resilience of our systems and infrastructure. Recently this has dovetailed with a large piece of work to consolidate the firm's offices to the single new office. All of which have been managed to increase efficiency, improve security and reduce risk. Indeed a key focus has been placed on business continuity.

The continued development of the Hargreaves Lansdown website (www.H-L.co.uk) is a key part of our strategy and we continue to see the benefits of higher

volumes of business being transacted online. A new feature to the on line Vantage platform is the introduction of cash withdrawals from specific accounts.

Regulation

In their reports, the Chairman and Chief Executive highlighted changes to the regulatory landscape, in particular the FSA's Retail Distribution Review. We are confident that our current business model is well positioned for these changes.

Staff

Our employees are vital to the Group's continuing success and we continue to focus on motivating and retaining our talented staff.

During March 2010 we granted new options under a SAYE scheme. Our Employee Benefit Trust (EBT) is well funded and holds sufficient shares to satisfy all outstanding options. Further shares were purchased by the EBT during the year to be used for the future incentivisation of staff. The Board believes that the use of share schemes in the future will continue to incentivise staff and help align their interests with those of other shareholders. Many employees also receive an annual bonus related to the overall profitability of the Group.

In addition to remunerating staff well, we aim to 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. We believe that moving all our staff into a single building has improved communication even further and will help ensure that we maintain the dynamic culture that has been crucial to the Group's success.

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 staff and customers. Information on the Group's employment policies and client service is detailed in the Directors' Report. However, we appreciate that alongside providing our clients with the best service and producing profits for our shareholders, we can also take sensible steps to reduce the impact of our business on the environment. We continue to shred and recycle confidential waste and have

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

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 advisors. These advisors are spread throughout the UK which minimises travel time. We provide a telephone advice service to handle those cases where a face-to-face meeting is unnecessary.

We appreciate that there is more we could do to 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. 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

building energy performance and reducing our electricity usage.

We provide an Ethical Investment Service to assist clients who wish to invest in a socially responsible manner. This includes an ethical investment guide and a dedicated section of our website with a tool which enables clients to search for funds which meet their ethical criteria.

The Group seeks to contribute to the communities in which we live and work. In addition to providing employment opportunities and minimising our environmental impact, we continue to support a local community initiative. 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 organisation provides these services in deprived areas within Bristol.

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. 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. This year we are again proud to support Bristol's Under Privileged Children's Charity, and our fund raising initiatives have been focused on this charity.

Risks and uncertainties

There are a number of potential risks to the Group which could hinder the successful implementation of our strategy and have a material impact on our long term performance. These arise from internal or external events, acts or omissions which could potentially pose a threat to the future success and survival of the Group. The Board and senior management of Hargreaves

Lansdown are proactive in identifying, assessing and managing risk.

The risk profile of the business has not changed significantly this year, but a few of the risks included in the 2009 Annual Report have materialised, such as market volatility. Although the markets remained volatile in 2010, they did have a significant upward trend. This was beneficial as a significant part of Group revenue is based on the value of client investments. Market volatility remains a 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.

The continued low interest rate environment creates a risk of a decline in earnings due to a decline in interest turn. We have, however, maintained good banking relationships and due to the large value of cash deposits placed we have managed to access competitive interest rates and we have offered regular fixed interest cash offers to our clients.

Turbulence remains in the banking sector and hence we continue to include the risk of bank default within the Group risk register, alongside the more general risk of reliance on third parties. Client money is currently spread across a number of UK banks which have strong credit ratings and our treasury policy is regularly reviewed by management.

Our IT platform and infrastructure have performed well throughout the year and we have continued to invest and implement changes with a strong focus on mitigating the risks we face in this crucial area.

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.

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Industry Risks		
Risk Type	Risk	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.	<ul style="list-style-type: none"> 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.	<ul style="list-style-type: none"> Strong market position with pricing power. Full control over scalable and 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. Younger clients attracted by SIPP offering.
Evolving technology	The Group's technology could become obsolete if we are unable to develop and enhance our systems to accommodate changing preferences, new products and the emergence of new industry standards.	<ul style="list-style-type: none"> Track record of successful development. High awareness and sponsorship of the importance of technology at Board level. Substantial development team in place.
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.	<ul style="list-style-type: none"> 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.
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.	<ul style="list-style-type: none"> 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.

Operational Risks		
Risk Type	Risk	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 information technology systems could negatively impact customer confidence. It could also materially breach contracts we have with our customers and data protection laws, which could render us liable to disciplinary action by governmental and regulatory authorities, as well as to claims by our clients.	<ul style="list-style-type: none"> 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	In addition to the failure of IT systems, there is a risk of disruption to the business as a result of power failure, fire, flood, acts of terrorism, re-location problems and the like.	<ul style="list-style-type: none"> Critical applications and infrastructure mirrored across primary and secondary sites. Business Continuity Plan produced in line with best practice methodologies.
Damage to the Group's reputation	There is a risk of reputational damage from employee misconduct, failure to manage inside information or conflicts of interest and fraud or improper practice.	<ul style="list-style-type: none"> High level of internal controls including checks on new staff. Well trained staff. Strong compliance culture.

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Operational Risks

Risk Type	Risk	Mitigating Factors / Controls
Key personnel risk	The loss of, or inability to recruit, key personnel could have a material adverse effect on the Group's business, results of operations or financial condition.	<ul style="list-style-type: none"> • Succession planning encouraged throughout Group via management and staff objectives. • Success of the Group should attract high calibre candidates. • SAYE schemes in operation to incentivise staff and encourage retention.
Litigation or claims made against the Group	The Group's business entails the risk of liability related to litigation from clients or third parties and actions taken by regulatory agencies. There can be no assurance that a claim or claims will be covered by insurance or, if covered, will not exceed the limits of available insurance coverage, or that any insurer will remain solvent and will meet its obligations to provide the Group with coverage.	<ul style="list-style-type: none"> • High levels of Professional Indemnity Insurance cover. • Comprehensive internal review procedures for marketing literature.
Reliance on third parties	Any regulatory breach or service failure on the part of an outsourced service provider could expose the Group to the risk of regulatory sanctions and reputational damage.	<ul style="list-style-type: none"> • Due diligence forms part of the selection process for key suppliers. • Ongoing review by our internal audit team of key business partners.
Strategic risk	There is a risk that management will pursue inappropriate strategies or implement the Group's strategy ineffectively.	<ul style="list-style-type: none"> • 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	If the investment performance of the Hargreaves Lansdown multi-manager funds were to be poor relative to the market or in absolute terms, the Group would be vulnerable to redemption / cancellation of units by investors in those collective investment funds and a consequential reduction in revenues received from such activities.	<ul style="list-style-type: none"> • 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	Risk	Mitigating Factors / Controls
Liquidity risk	The risk that the Group is unable to meet liabilities as they become due because of an inability to liquidate assets or obtain adequate funding.	<ul style="list-style-type: none"> • 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, there is a risk that a bank could fail.	<ul style="list-style-type: none"> • Only use banks with strong credit rating where we do not believe the Government would allow them to fail. • Deposits spread across several banks. • Regular review and challenge of treasury policy by management.
Interest rate risks	Risk of decline in earnings due to a decline in interest turn. Low interest rates make it harder to attract client money.	<ul style="list-style-type: none"> • Good relationships with banks used. • Access to competitive interest rates due to large value of cash deposits placed. • Regular fixed high interest cash offers available to clients.

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Outlook

It is important to view these 2010 results in the context of our overall growth over a number of years, rather than as a comparison to the exceptional results from the 2009 financial year. The interest rate environment contributed to a large increase in revenue in 2009, and so this year's 20% growth to revenue is all the more impressive given that interest rates have remained at a record low throughout the year. Interest rates and market volatility will continue to influence our performance in the new financial year.

Our SIPP service continues to go from strength to strength, as the pension and in particular the SIPP market continues to provide ample opportunities. The continued trend away from defined benefit to defined contribution (DC) schemes means we expect to see substantial growth in DC assets and for the Group to benefit from that as a leading SIPP provider. There may be a decline in new SIPP contributions as a result of the restriction of higher rate tax relief on pension contributions for high earners, but many of our SIPP clients are unaffected by these rules. Overall, we do not expect to see SIPP inflows reduce as a direct result of these rule changes as the main source of SIPP inflows has always been pension transfers which this year accounted for roughly two-thirds of SIPP new business. We believe that investors will continue to transfer their assets to us in order to benefit from the services and information we provide, together with the transparency,

choice and control available through our platform.

We still expect the provisions of the Financial Services Authority's Retail Distribution Review (RDR) to only affect advisory business. The Financial Services Authority's current proposals state that non-advised business will be excluded from the RDR, and this represents the majority of Hargreaves Lansdown business. In respect of the Group's advisory business, we have already announced and successfully implemented a remuneration structure for advisers that is RDR compliant. Other aspects of the RDR such as increased qualifications our advisers already comply with, or are easily implemented. The Financial Services Authority is due to publish a further Consultation Paper on the regulation of Platforms in the autumn. Any new Financial Services Authority rules or changes in the market as a whole following the implementation of the RDR could impact us. However, we believe we are very well placed to accommodate any changes and maintain our competitive position.

The Board has reviewed the Group's progress and strategy. We remain focused on providing an exceptional service, and on growing the business principally through growing assets under administration. Opportunities include the increased ISA allowance, new fund launches and corporate wrap service. We will continue to invest in our systems, equipment and infrastructure, as

well as maintaining high quality staff. We believe such an approach will ensure that we continue to provide an excellent service, ensure client satisfaction, help maintain existing business and attract new business and so will enhance long term value for shareholders.

During July 2010 we started providing our new corporate wrap service, 'Corporate Vantage', to the first client. The level of interest in the service and prospective pipeline of corporate clients is very encouraging and we look forward to welcoming new employers on to the Corporate Vantage platform. Although we do not anticipate any financial benefit from this new service in the coming financial year, we see the corporate market as a significant and important source of new assets and clients over the medium term.

Current trading is satisfactory, but the economic problems of the UK and the rest of the world are not behind us and we expect this to continue to influence our trading and our clients' ability to save. The Company is extremely well placed to build on the momentum that has been generated so far, and our ability to innovate and remain responsive to the economic environment will assist us.

Tracey Taylor
Group Finance Director
8 September 2010

Management Team

Members of the Board:

The following directors have served during the year:

Jonathan Bloomer FCA - Senior independent non-executive director. Jonathan became a non-executive director of the Company in September 2006. Jonathan is currently a partner in Cerberus European Capital Advisors LLP, Executive Chairman of Lucida plc and Chairman of Scottish RE Group Limited. Previously, 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 also a Trustee and the Treasurer of the NSPCC.

Michael Evans - Non-executive chairman. Michael became a non-executive director of the Company in September 2006. Michael is a qualified actuary with 27 years' industry experience. He is a non-executive director of ING Real Estate Investment Management (UK) Limited and is non-executive chairman of the Unitholders' Advisory Committee of the ING Real Estate Select Global Osiris Fund. 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.

Jonathan Davis - Independent non-executive director. Jonathan became a non-executive Director of the Company in February 2008. Jonathan, a former senior business journalist on The Times, The Economist and The Independent, is a regular columnist in the Financial Times and founder of JDA Independent Investor LLP, an independent investment publishing business. He has degrees in history and management from Cambridge University and MIT and is the author of three books on investment. He is also a director of Agrifirma Services Limited and Victoria Capital Limited.

Stephen Lansdown FCA, FSI - Executive director up until 26 August 2010 when he became a non-executive director. Stephen co-founded Hargreaves Lansdown in 1981. Stephen qualified as a Chartered Accountant in 1975 and specialised in taxation with Touche Ross & Co. Stephen is also Chairman

of Bristol City Football Club. Stephen is a Fellow of the Securities & Investment Institute.

Peter Hargreaves FCA - Chief Executive. Peter co-founded Hargreaves Lansdown in 1981. Previously, he qualified as a Chartered Accountant and worked for a predecessor of KPMG, Unisys Group and Whitbread plc. Peter is non-executive director of ITM Power plc.

Tracey Taylor FCCA, MSI - Group Finance Director. Tracey joined Hargreaves Lansdown in 1999 and her responsibilities within the Group since then have included systems, HR, group finance, treasury, client accounting and the Company secretarial function. In 2006 she was appointed to the role of Group Accounting Director and to the Executive Committee. In 2008 she was appointed to the Board and the position of Group Finance Director. Tracey is a qualified accountant, holds an MSc in Finance and is also a Member of the Securities & Investment Institute (MSI).

New directors appointed after 30 June 2010:

Chris Barling - Independent non-executive director appointed 26 August 2010. Chris has over 30 years' IT industry experience and formerly held senior IT roles in Cable & Wireless and Reuters. He has a degree in Computer Science from Brunel University and is the co-founder of Actinic, the software company specialising in e-commerce solutions for SMEs. Actinic went public on the London Stock Exchange in May 2000.

Ian Gorham ACA - Deputy Chief Executive. Ian joined Hargreaves Lansdown in September 2009 as Chief Operating Officer. Ian qualified as a Chartered Accountant in 1996. Previously he helped build Deloitte's 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.

Members of the Executive Committee who served during the year:

Mary Theresa Barry - Group Marketing Director. Theresa graduated with a 2:1 in Politics from the University of Bristol. She joined Hargreaves Lansdown as the first full-time employee in 1982. Theresa has also worked in marketing at Abbey Unit Trust Managers Limited in the City of London.

Nigel Bence - Group Compliance Director. Nigel graduated with a First from Bristol Polytechnic (now the University of the West of England) with a BA Honours Degree in Financial Services. He joined the compliance department of Hargreaves Lansdown in 1992. In 2001, he was appointed to the role of Group Compliance Director.

Andrew Christian - Managing Director of Broking Operations. Andrew graduated from Nottingham Polytechnic (now Nottingham Trent University) with a 2:1 in Law. He joined Hargreaves Lansdown in 1991, and worked initially on the investment helpdesk before moving to Hargreaves Lansdown Stockbrokers in 1992. Andrew was appointed director of Hargreaves Lansdown Stockbrokers in 1998. He resigned as a Director on 3 August 2010.

Alex Davies - Director of Pensions. Alex joined Hargreaves Lansdown in 1999. He has a degree in Politics and International Relations from the University of Kent at Canterbury. He is responsible for the pensions business (SIPPs, annuities and income drawdown) and the new Corporate Vantage service. He was appointed to the board of Hargreaves Lansdown Pensions Direct in 2006 and to the boards of Hargreaves Lansdown Asset Management and Hargreaves Lansdown Stockbrokers in May 2009.

Ian Hunter - Investment Marketing Director. Ian graduated from Bristol University with a 2:1 in Philosophy. Ian joined the investment helpdesk of Hargreaves Lansdown in 1997 and after three years he moved to our marketing team where he is now responsible for the marketing of all investments and the Vantage Service. Ian joined the Executive Committee and the Board of Hargreaves Lansdown Asset Management Limited and Hargreaves Lansdown Stockbrokers Limited in July 2009.

Nick Marson - Nick joined Hargreaves Lansdown in 1997 initially working in the Stockbrokers Back Office, before moving on to equity and fund trading. He is now responsible for overseeing the operations of the Stockbroking and the Vantage Service. Nick joined the Executive Committee and the Board of Hargreaves Lansdown Asset Management Limited and Hargreaves Lansdown Stockbrokers Limited in July 2009.

Peter Hargreaves, Ian Gorham, Stephen Lansdown and Tracey Taylor were also members of the Executive Committee during the year.

Directors' Report

The directors present their annual report on the affairs of the Group together with the financial statements and auditors' report for the year ended 30 June 2010.

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. Hargreaves Lansdown has 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.

The Group's flagship service, Vantage, is a direct-to-private investor fund and wrap 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.

The Group also provides independent financial advisory and stockbroking services to private investors and advisory services to companies in respect of group pension schemes.

The subsidiary undertakings of the Group during the year are listed in note 16 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.

Business review

A full review of the Group's business activities, financial position, cash flows, liquidity position, together with factors likely to affect its future development, performance and position are set out in the Chairman's and Chief Executive's Statement on pages 5 to 7 and the Operating and Financial Review on pages 8 to 17 and are incorporated into this report by reference. In addition, note 3 to the Financial Statements discloses the key sources of estimation uncertainty and judgements made by the management; and note 28 includes the Group's policies and processes on capital management, financial risk management and details on its exposure to such risks.

The Group maintains ongoing forecasts that indicate continued profitability in the 2011 financial year. Stress test scenarios are undertaken and the outcomes of which show that the Group has adequate capital resources for the foreseeable future even in adverse economic conditions. The Group's business is highly cash generative with a low working capital requirement; indeed, the forecast cash flows show that the Group will remain highly liquid in the forthcoming financial year.

The Directors therefore believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook. After making enquiries, the Directors' expectation is that the Group will have adequate resources to continue in business for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Financial Statements.

Group results and Company dividends

Operating profit for the year ended 30 June 2010 was £85.4 million (2009: £69.8 million). The Group profit after taxation for the year ended 30 June 2010 was £61.3 million (2009: £52.1 million).

Dividends are shown in note 11 to the financial statements. In addition to the first interim dividend of 8.0 pence per share, we have declared a second (final) ordinary dividend of 0.58 pence per share, taking the total ordinary dividends up to 8.58 pence per share. This total dividend payout equates to 65% (2009: 65%) of post tax profits. Our policy is not to accumulate excess cash going forwards and we are pleased to declare a special final dividend of 1.70 pence per share in addition to the interim special dividend of 1.6 pence per share. This equates to a further 25% (2009: 25%) of post tax profits. Any special dividend in future years will depend upon our future cash requirements and therefore may vary.

Capital structure

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 2010 are shown in note 22.

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.

No unissued share or loan capital of the Company is under option or agreed, conditionally or unconditionally, to be put under option. The Trustees of the Company Employee Benefit Trusts (EBTs), hold Ordinary Shares either jointly owned with employees or for the exercise of options under the Company employee share schemes.

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 apply as follows:

- (i) Following the Results Announcement for the financial year of the Company ending on 30 June 2009 but prior to the Results Announcement for the financial year of the Company ending on 30 June 2010, to such number of Shares as is equal to 50 per cent of the total number of Locked-in Shares; and
- (ii) 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 ending on 30 June 2011, to such number of Shares as is equal to 25 per cent of the total number of Locked-in Shares.

The restrictions set out above shall cease to apply in their entirety following the Results Announcement for the financial year of the Company ending on 30 June 2011.

Reporting

Shares in Hargreaves Lansdown plc are listed on the main market of the London Stock Exchange and as such the Company is required to comply with its disclosure requirements.

Directors' Report

Directors

The directors, who served throughout the year except as noted, were as follows:

Non-executive directors:

Jonathan Bloomer
Michael Evans (Chairman from 1 December 2009)
Jonathan Davis

Executive directors:

Peter Hargreaves (Chief Executive)
Stephen Lansdown to 26 August 2010
Tracey Taylor (Finance Director)

Jonathan Bloomer, Michael Evans and Jonathan Davis were members of the Remuneration Committee, Audit Committee and Nomination Committee. Jonathan Bloomer acts as Chairman of these Committees and is the senior independent non-executive director.

Ian Gorham has been appointed as an executive director and both Chris Barling and Stephen Lansdown have been appointed as non-executive directors on 26 August 2010.

Retirement and re-election of directors

In accordance with the Company's Articles of Association at each annual general meeting any director who has been in office for more than three years or more since their appointment or last re-appointment must retire 'by rotation'. Those retiring shall also include any director who wishes to retire. A separate resolution to reappoint any director appointed since the last annual general meeting must be proposed.

Under the new UK Corporate Governance Code which takes effect for financial years beginning on or after 29 June 2010, all directors should offer themselves up for re-election annually. The Company intends to comply with the Code once the Company's Articles of Association have been appropriately amended and will implement annual re-election from the 2011 AGM.

Ian Gorham has been appointed as an executive director and Chris Barling has been appointed as a non-executive director on 26 August and both offer themselves for election at the forth-coming annual general meeting of 26 November 2010. Also in accordance with the existing Articles of Association both Peter Hargreaves and Stephen Lansdown will be proposed for re-election.

Biographical details of the directors proposed for election and re-election are shown on page 18.

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 27 to the financial statements.

The directors who held office at 30 June 2010 had the following interests (including beneficial interests) in the shares of the Company:

	Number and % of Ordinary Shares at 30 June 2010		Number of Ordinary Shares at 30 June 2009
Non-executive directors			
J Bloomer	15,625	< 0.01%	15,625
M Evans	15,625	< 0.01%	15,625
Executive directors			
P Hargreaves	152,717,606	32.20%	152,717,606
S Lansdown	109,060,843	22.99%	109,060,843
T Taylor	721,441	0.15%	925,000
Total	262,531,140	55.35%	262,734,699

The above figures 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.

After 30 June 2010 but prior to the date of this report, Jonathan Davis, a non-executive director, made a purchase of 2,500 shares, which represents less than 0.01% of the ordinary shares in issue.

Substantial shareholdings

As at 1 September 2010, the Company has not been notified of any shareholdings amounting to more than 3 per cent of the issued share capital of the Company other than the directors' interests which are set out in the Directors' Report and the following shareholding:

Interested Party	Date of notification	Number of Shares	Percentage held at date of notification
Adam Norris	26 Aug 10	14,491,199	3.06%

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 2010 were equivalent to 19 (2009: 26) days' purchases, based on the average daily amount invoiced by suppliers during the year.

Critical accounting policies

The accounting policies adopted by Hargreaves Lansdown have been consistently applied throughout the current and prior year, except as described as below, and are set out in note 2 to the financial statements. The preparation of our financial statements in accordance with these policies has required management to make a number of estimates, assumptions and judgements. Further details on key sources of judgements and estimation uncertainty are provided in note 3 to the financial statements.

Changes in accounting policy

In the current financial year, the Group has adopted International Financial Reporting Standard 8 "Operating Segments" and International Accounting Standard 1 "Presentation of Financial Statements" (revised 2007).

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Executive to allocate resources to the segments and to assess their performance. In contrast, the predecessor Standard (IAS 14 "Segment Reporting") required the Group to identify two sets of segments (business and geographical), using a risks and rewards approach. As the nature of the services provided, the regulatory environment, the customer base and distribution channels for each division are the same, the consolidated entity operates in one business segment for the purposes of IAS 14 and hence no additional business segmental analysis were shown in the 2009 accounts. The comparatives in note 5 are presented in accordance with IFRS 8.

Directors' Report

IAS 1 (revised) requires the presentation of a statement of changes in equity as a primary statement, separate from the income statement and statement of comprehensive income. As a result, a consolidated statement of changes in equity and company statement of changes in equity have been included in the primary statements, showing changes in each component of equity for each period presented.

Employment policies

Disabled employees

Applications for employment by disabled persons are always given full and fair consideration, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Health and welfare

Hargreaves Lansdown is committed to providing a safe and healthy environment in which its employees can work. The Health and Safety consultants who were previously engaged to carry out a full review of our health and safety policy and procedures, have been retained on an ongoing basis to ensure that standards are maintained. Now we are settled into the new office a new Health & Safety Policy including all underlying Procedures has been rewritten and launched in August 2010. It is easier to navigate and more user friendly for staff who wish to refresh themselves on any Health & Safety issues relating to their place of work.

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 recognizes, 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, gender, marital status, age, disability, religious belief or sexual orientation.

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. Further employment information is provided in the Operating and Financial Review.

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.

The fair treatment of our clients is central to our corporate culture and we aim to provide the best information, the best service and the best prices to our clients. We strive to provide clear information to all our clients and keep them appropriately informed at all times whilst they remain a client of Hargreaves Lansdown. We aim to ensure that our services and investment performance meet our clients' expectations. We continually strive to improve our services to ensure they are designed and targeted appropriately and that any advice we provide is suitable for our clients. We will 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 investigate 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 2010 financial year compared to the last figures published by the Ombudsman show that Hargreaves Lansdown is achieving good results in treating our clients fairly if they raise a complaint.

Special business

Authority to purchase own shares

The Company was granted authority at the AGM in 2009 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.

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 2010 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 2010. 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 2010.

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.

Share schemes

A resolution is to be proposed as special business at the 2010 AGM to enable the directors to renew an existing share option scheme. The existing Executive Share Option Scheme will be renewed and further details of the scheme will be provided in the shareholders' Notice of AGM.

Auditors

Each of the persons who are 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 auditors are 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 auditors are aware of that information.

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

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

By order of the Board,

Judy Matthews
Company Secretary
8 September 2010

Corporate Governance Statement

In this section of our Annual Report and Accounts, we explain the key elements of the Group's corporate governance structure.

The directors of Hargreaves Lansdown plc are committed to high standards of corporate governance and the Company is committed to the principles of corporate governance contained in the Revised Combined Code on Corporate Governance that was published in June 2008 by the Financial Reporting Council ('the Code') for which the Board is accountable to shareholders.

Statement of compliance with the Combined Code

During the year ended 30 June 2010, Hargreaves Lansdown plc has applied the principles and complied with the provisions of Section 1 of the Combined Code on Corporate Governance ('the Code') with the following exceptions:

- Independence of the Chairman on appointment

For the period up to 30 November 2009 the Chairman did not meet the independence criteria set out in the Code since he was an executive director of the Company. The Board considered that departure from the Combined Code in this area was appropriate and gave its reasons for non-compliance both in the prospectus published as part of the Company's Initial Public Offering, and in subsequent Annual Reports. With effect from 1 December 2009, the Group became compliant with this provision of the Code, following the appointment of Michael Evans as non-executive Chairman.

- Composition of the Board

Following the appointment of Michael Evans as Chairman on 1 December 2009, the Company was no longer compliant with the code in terms of having at least half of the Board excluding the Chairman made up of independent non-executive directors. The Nominations Committee determined that a new independent non-executive director should be appointed and conducted a search for a candidate who could bring skills and experience to further complement the existing board. The appointment of Chris Barling was subsequently made on 26 August 2010. On the same date Ian Gorham was appointed an executive director and Stephen Lansdown, having stood down as an executive director was appointed as a non-executive director, although under the terms of the Code he cannot be deemed to be independent. The resultant board, with effect from 26 August 2010 comprised 3 executive directors, 3 independent non-executive directors, a non-independent non-executive director and a non-executive

chairman. Whilst this does not comply with the Code, we believe the presence of the two founders who are also the largest shareholders in the Company makes this a very strong but not over-sized, board.

- Composition of the Remuneration and Audit Committees

Following the appointment of Michael Evans as Chairman on 1 December 2009, the Company was no longer compliant with the code in terms of having at least three independent non-executive directors on both the Remuneration and the Audit Committees. The Company became compliant following the appointment of Chris Barling as a new independent non-executive on 26 August 2010 and his appointment to both these committees.

The Company's auditor, Deloitte LLP, are required to review whether the above statement reflects the Company's compliance with the nine provisions of the Combined 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.

Details of how Hargreaves Lansdown complied with the Code are summarised in this statement.

Statement about applying the principles of the Code

The Company has applied the principles set out in section 1 of the Code, including both the main principles and the supporting principles, by complying with the Code as reported above. Further explanation of how the principles and supporting principles have been applied is set out below and in the directors' remuneration report and Audit Committee report.

DIRECTORS

Board of directors

As at 30 June 2010, the Board of Hargreaves Lansdown comprised of 3 executive members and 3 independent non-executive

directors. On 26 August 2010, Chris Barling was appointed as an additional independent non-executive. On the same date Ian Gorham was appointed an executive director and Stephen Lansdown stood down as an executive director and was appointed as a non-executive director.

The Board is responsible to shareholders for the proper management of the Group. All of the directors bring strong judgement to Board deliberations. The Board is of sufficient size and diversity that the balance of skills and experience is considered to be appropriate for the requirements of the business.

The Chairman is responsible for the operation, leadership and governance of the Board, ensuring its effectiveness and setting its agenda. The Chief Executive has executive responsibilities for the operations, results and strategic development of the Group. Clear divisions of accountability and responsibility exist and operate effectively for these positions.

The Board requires 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. In doing so, the Board gives due regard to provision A.3.1 of the Combined Code. The non-executive directors do not participate in any of the Group's share option or other incentive schemes.

The Board concludes that Michael Evans, Jonathan Davis, and Jonathan Bloomer were independent directors throughout the financial year.

Biographies for the Board of directors, including details of any other significant directorships or appointments, are set out on page 18.

Role of the Board

The Board determines the strategic direction of the Group and reviews operating,

Corporate Governance Statement

financial and risk performance. 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 Board and its Committees meet regularly. Formal minutes or reports of each of these meetings are circulated to the relevant members.

The Board has delegated full authority to the Executive Committee except for a list of matters which are reserved for decision by the Board. There is a formal schedule of those matters reserved to the Board, which includes:

- approval of corporate strategies and objectives;
- approval of interim and final financial results and payment of dividends;
- the appointment of directors;
- approval of major capital or revenue expenditure;
- approval of forecasts and medium term plans;
- approval of significant changes in the Group structure and product range;
- corporate governance matters.

The Board has delegated the day-to-day management of the Group to the Chief Executive, who is supported by the executive directors 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.

Board responsibilities

The Board meets a minimum of four times each financial year to discuss matters such as current performance, long term planning, material capital commitments and risk management. During the intervening months, meetings of the Executive Committee are held and minutes from the meetings are circulated to the Board.

Board committees

There are a number of Committees of the Board to which various matters are delegated. The Committees all have formal Terms of Reference that have been approved by the Board, and performance of the Committees are assessed annually by the

Board. Terms of reference of the Audit, Remuneration and Nomination Committee are available on the Group's website (www.H-L.co.uk).

Details are set out below:

Audit Committee

The Audit Committee is responsible for assisting the Board in discharging its responsibilities for financial reporting including the integrity of the annual and interim reports, preliminary results and any other formal announcements relating to financial performance, risk reporting and reviewing the Company's internal corporate control. The Audit Committee's primary responsibilities are to review the financial statements, to review the Group's internal control and risk management systems, to consider the appointment of the external auditors, their independence and reports to the Committee, as well as to review the programme of Internal Audit.

The responsibilities of the Audit Committee and an explanation of how it applies the principles of the Combined Code, are set out in the Audit Committee report.

The Audit Committee is chaired by Jonathan Bloomer and its other members at 30 June 2010 were Michael Evans and Jonathan Davis. Chris Barling was elected as an additional member on 26 August 2010 and Michael Evans stood down on the same date. The Audit Committee meets at least three times each year but more frequently when required, and met five times during this financial year. On each occasion the Head of Internal Audit, Group Compliance Director, Group Finance Director and Chief Executive were invited to attend. The external auditors attended all of the meetings.

Remuneration Committee

The Remuneration Committee is responsible for the framework or broad policy for the fair remuneration of the Executive Directors of the Group as well as their performance management. These will be determined with due regard to the interests of the Company and the Shareholders. It monitors the levels and structure of remuneration for senior management and seeks to ensure that they are designed to attract, retain and motivate the Executive Directors needed to run the Company successfully.

The Remuneration Committee meets at least twice during each financial year, and met five times during the current year. The

Committee is chaired by Jonathan Bloomer and its other members at 30 June 2010 were Michael Evans and Jonathan Davis. Chris Barling was elected as an additional member on 26 August 2010. The responsibilities of the Remuneration Committee and an explanation of how it applies the directors' remuneration principles of the Combined Code, are set out in the directors' remuneration report.

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 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 members at 30 June 2010 were Michael Evans and Jonathan Davis. Chris Barling was elected as an additional member on 26 August 2010. The Company Secretary may also attend in her capacity as Secretary of the Company. The Nomination Committee meets at least once each year. The Committee met four times during the year.

There is a formal, rigorous and transparent procedure for the appointment of new directors to the Board. This process will involve 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. Careful 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.

Under the existing Articles of Association all directors have to submit themselves for re-election at least every three years if they wish to continue serving and are considered by the Board to be eligible. In order to be able to comply with the new UK Code of Corporate Governance, however, all directors will need to be re-elected on an annual basis. In order to become compliant the Articles of Association will be amended appropriately and as from

Corporate Governance Statement

the AGM in 2011 annual re-election will be implemented. For the forthcoming AGM on 26 November 2010 we are still operating under the existing Articles of Association.

During the year the Committee determined that Michael Evans possessed the necessary skills to fulfil the position of Chairman of the Board. He was appointed as non-executive Chairman with effect from 1 December 2009. The Board believes that his skills and experience and knowledge of the Group have proved to be invaluable and hence positioned him as the ideal candidate for the role. As such, it was not necessary to use an external search consultancy or open advertising for recruitment of a Chairman.

Following on from the appointment of Ian Gorham on 1 September 2009 as Chief Operating Officer, the Committee subsequently recommended his appointment as Deputy Chief Executive on 26 April 2010, to join the Board on 26 August 2010 and then to be appointed to the position of Chief Executive, taking over responsibility from Peter Hargreaves from 2 September 2010. The Committee believes that the background he has had in financial services whilst at Deloitte and as a Partner and Head of Financial Services at Grant Thornton made

him an ideal successor to Peter Hargreaves to continue the growth of Hargreaves Lansdown.

To bring more balance to the Board, the Committee decided to appoint a further non-executive director. Rather than engage a firm of headhunters, it was decided that we would advertise the position to a subset of our clients. An initial mailing of some 8,000 clients resulted in approximately 150 high quality applications. Following the selection criteria laid down by the Committee, and after two rounds of interviews, we were delighted to appoint Chris Barling to the Board on 26 August 2010. Chris is a client of Hargreaves Lansdown and is currently CEO of Actinic, a privately owned software company. We believe Chris' extensive IT experience will bring greater breadth of knowledge and experience to the Board.

Stephen Lansdown announced he wished to stand down as an executive director but indicated that he would be prepared to continue to be involved with the Company as a non-executive director. The Committee recognised that the Board would benefit from having Stephen's great experience as a non-executive director. His appointment was confirmed on 26 August 2010.

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. In particular the Executive Committee is responsible to the Chief Executive for developing and monitoring every aspect of the Group businesses 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 Ian Gorham, and in his absence by Peter Hargreaves. During the year the committee also comprised Stephen Lansdown, Tracey Taylor, Nigel Bence, Andrew Christian, Theresa Barry, Alex Davies, Ian Gorham, Nick Marson and Ian Hunter. Michael Evans is invited to attend the Executive Committee.

The Executive Committee meets at least quarterly but more frequently when required, and met five times during the current financial year.

Attendance at meetings during the financial year by members of each committee

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

Corporate Governance Statement

Training

The Group's overall objective is to maintain and enhance professional standards for all its employees. It is particularly necessary to maintain these standards for all staff who fall under the scope of the Financial Services Authority Training and Competence rules. All directors and staff under the scope of these rules are required to perform certain training during a year.

For all new directors, the Chairman is responsible for preparing and implementing a personalised induction programme including guidance as to their duties, responsibilities and liabilities as a director of the Company. The induction process can include time with several of the senior managers and executives in a number of business areas and demonstrations of systems where relevant.

Every director has access to appropriate training as required subsequent to appointment. The need for director training is regularly assessed.

Performance evaluation

Individual appraisal of each director's performance is undertaken either by 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.

Other information

Any director has access to the advice and services of the Company Secretary and may seek independent professional advice, if necessary, at the Company's expense. The Company Secretary is responsible to the Board for ensuring Board procedures are followed. Any removal or appointment of the Company Secretary is decided by the Board.

Simon Power stood down as Company Secretary on 30 March 2010 and the Board were delighted to appoint Judy Matthews as the new Company secretary on the same day.

All directors may take independent professional advice at the Company's expense in conducting their duties.

RELATIONS WITH SHAREHOLDERS

Shareholder relations

The Company is committed to maintaining good communications with shareholders and has a programme of communication with shareholders through interim and annual reports, the AGM and the Investor Relations section of the corporate website at www.H-L.co.uk.

It is intended that all directors will attend each AGM and shareholders will be given the opportunity to participate by asking questions at the AGM on 26 November 2010. In addition, the Chairman, Chief Executive and Group Finance Director welcome dialogue with individual institutional shareholders in order to develop an understanding of their views which are then fed back to the Board. General presentations are also given to analysts and investors covering the annual and interim results.

ACCOUNTABILITY AND AUDIT

Going concern

The financial statements are prepared on a going concern basis as the directors are satisfied that, at the time of approving the financial statements, the Group has the resources to continue in business for the foreseeable future.

Internal control and risk management

The Board has overall responsibility for the Company's system of internal control and risk management and for reviewing its effectiveness. The directors are required to establish systems for the control of the conduct of the business and to conduct the business with prudence and integrity. In discharging this responsibility, the Board confirms that it has established the procedures necessary to apply the Code, including clear operating procedures, lines of responsibility and delegated authority. These procedures have been in place throughout the year and are regularly reviewed by the Board. Business performance is managed closely and the Board and Management has established processes, as part of the normal good management of the business, to monitor:

- 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, which accord with the Turnbull guidance and are supported by reports from the Head of Internal Audit that the significant risks faced by the Company are being identified, evaluated and appropriately managed, having regard to the balance of risk, cost and opportunity.

The key features of the system of business control and risk assessment established by the Board include:

- a well defined management structure with clear accountabilities and delegations;
- the Group Audit Committee, the Executive Committee, and a system of executive risk managers, which enhance and support the oversight role of the Board;
- management information systems which enable the Board to receive comprehensive monthly analysis of financial and business performance;
- a Risk Management function led by the Chief Risk Officer which reports to the directors and non-executive directors on the management of the major risks facing the Group as assessed against the Group's Risk Appetite;
- a Group Risk Strategy requiring all senior managers to identify, evaluate and manage risks in their business units, and to monitor the effectiveness of internal controls applied to these risks;
- an Internal Audit function which reports to the Audit Committee on the effectiveness of key internal controls operated by each department or business unit as part of the audit of that department or unit;
- a Compliance function to manage relationships with the Group's key regulators and to identify major compliance and regulatory risks; and
- a Money Laundering Reporting Officer (MLRO) and anti-money laundering procedures, and controls including training programmes for all staff. The MLRO also specifically considers the risk of loss through financial crime and the controls in place to mitigate the risk of such loss.

In addition, the Audit Committee receives reports from the Head of Internal Audit on the work carried out under the annual internal audit plan, and also reports from the external auditors.

Corporate Governance Statement

The Board has delegated oversight of the Group's Internal Control Policy to the Audit Committee. The Audit Committee received reports on the current operation of internal controls in relation to key and emerging risks, and the Audit Committee carried out an overall review of the effectiveness of the Group's system of internal control for the year to 30 June 2010 and the period to the date of this report, on behalf of the Board.

The Board has delegated oversight of the Group's risk management policies and procedures to the Audit Committee. Further embedding of the process used for identifying, evaluating and managing the significant risks faced by the Group has continued through the year. A summary of the significant risks is provided within the Operating and Financial Review. This process is regularly reviewed by the Board and accords with the Turnbull Guidance for directors on the Combined Code.

The Board receives minutes and reports from the Chairman of the Audit Committee and the Executive Committee. These identify any significant issues relating to the adequacy of the Group's system of internal control and to the risk management policies and procedures

across the full range of risks to which the Group is exposed, and how they are being controlled. The Board, the Executive Committee and the Audit Committee receive reports from the Head of Internal Audit identifying the effectiveness of internal controls together with specific reports on any major issues.

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.

Through the monitoring processes set out above, the Board has conducted a review of the effectiveness of the system of internal control during the year ended 30 June 2010. The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and provide reasonable 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 approval of this Annual Report.

Model Code

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

Audit Committee and auditors

The Audit Committee report on the following pages provides details of the role and activities of the Committee and its relationship with the internal and external auditors.

The UK Corporate Governance Code

The new Code was issued in May 2010 and will apply for the financial year starting 1 July 2010. The Board is currently reviewing the requirements of the new Code and seeking to address areas of non-compliance.

Michael Evans
Chairman

8 September 2010

Audit Committee Report

Summary of the role of the Audit Committee

The Audit Committee is appointed by the Board. The Audit Committee's terms of reference include all matters indicated by the Combined Code, and can be obtained from the Group's website at <http://www.h-l.co.uk/investor-relations/board-of-directors>. The terms of reference are considered annually by the Audit Committee and are then referred to the Board for approval.

The Audit Committee is responsible for:

- monitoring the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance and reviewing significant financial reporting judgements contained therein;
- reviewing the Group's internal financial controls and, unless expressly addressed by the Board itself, 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 auditors and the approval of the remuneration and terms of engagement of the external auditors;
- reviewing and monitoring the external auditors' independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements; and
- developing and implementing a policy on the engagement of the external auditors to supply non-audit services, taking into account relevant guidance regarding the provision of non-audit services by the external audit firm.

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.

Composition of the Audit Committee

The members of the Audit Committee at 30 June 2010 are:

Name	Date of appointment	Qualification
J Bloomer	18 September 2006	Chartered accountant
M Evans	1 September 2006	Actuary
J Davis	1 February 2008	

Chris Barling was elected an additional member on 26 August 2010 and Michael Evans stood down on the same date.

Biographies for each director can be found at page 18.

During the year, the Committee comprised two independent non-executive directors and the non-executive chairman. Two members constitute a quorum. 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 (as recognised by the Consultative Committee of Accountancy Bodies). Currently the Audit Committee Chairman fulfils this requirement.

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

- the principles of, contents of, and developments in financial reporting including the applicable accounting standards and statements of recommended practice;
- key aspects of the Group's operations including corporate policies, Group financing, products 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 recent and relevant commercial and financial knowledge and experience to satisfy the provisions of the Combined 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 ongoing 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. Ongoing training includes attendance at formal conferences, internal company seminars and briefings by external advisors.

Meetings

The Audit Committee is required to meet at least three times per year and has an agenda linked to events in the Group's financial calendar. The agenda is predominantly cyclical and is therefore approved by the Audit Committee Chairman on behalf of his or her fellow members. Each Audit Committee member has the right to require reports on matters of interest in addition to the cyclical items.

The Audit Committee invites the Chief Executive, Group Finance Director, Head of Internal Audit, Group Compliance Director and senior representatives of the external auditors to attend all of its meetings in full, although it reserves the right to request any of these individuals to withdraw. Other senior management are invited to present such reports as are required for the Committee to discharge its duties.

Overview of the actions taken by the Audit Committee to discharge its duties

During the 12 months to 30 June 2010 the Audit Committee has undertaken the following key responsibilities:

Audit Committee Report

- reviewed the financial statements in the 2009 reports and accounts and the interim report issued in February 2010. As part of this review the Committee received a report from the external auditors on their audit of the annual reports and accounts and review of the interim report;
- received reports from the Group's Risk Manager 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 auditors on their observations of controls across the Group;
- agreed the fees to be paid to the external auditors for their audit of the 2010 accounts and interim report and reviewed the confirmation of auditor independence;
- undertaken an evaluation of the performance of the Internal Audit function;
- reviewed the qualification and experience of the Internal Audit department so that they can deliver an agreed programme of work;
- reviewed the level and nature of non-audit activity performed by Internal Audit;
- ratified a review of Corporate Governance and Risk Management arrangements across the Group undertaken by Internal Audit;
- undertaken an evaluation of the performance of the external auditors;
- received reports from the Head of Internal Audit on the work undertaken by Internal Audit and management responses to proposals made in the audit reports issued by the function during the year;
- received presentations on the Group's treasury and tax functions;
- reviewed the Group's Internal Capital Adequacy Assessment Process ('ICAAP') report; and
- reviewed its own effectiveness.

External auditors

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 auditors are 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 sets out the categories of non-audit services which the external auditors will and will not be allowed to provide to the Group, subject to de minimis levels and Audit Committee Chairman approval.

Having conducted a review of the independence and the effectiveness of the external auditors 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 their resources and plans.

The Audit Committee has also approved the Group's Whistleblowing Policy that contains arrangements for the Head of Internal Audit to receive, in confidence, complaints on accounting, risk issues, internal controls, auditing issues and related matters for reporting to the Audit Committee as appropriate.

Overview

As a result of its work during the year, the Audit Committee has concluded that it has acted in accordance with its terms of reference and has ensured the independence and objectivity of the external auditors.

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

Approval

This report was approved by the Audit Committee and signed on its behalf by:

Jonathan Davis
Member of the Audit Committee
8 September 2010

Directors' Remuneration Report

Introduction

This report has been prepared in accordance with Schedule 8 to the Accounting Regulations under the Companies Act 2006. The report also meets the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the Board has applied the principles relating to directors' remuneration. As required by the Act, a resolution to approve the report will be proposed at the Annual General Meeting of the Company.

The Act requires the auditors to report to the Company's members on certain parts of the directors' remuneration report and to state whether in their opinion those parts of the report have been properly prepared in accordance with the Companies Act 2006. The report has therefore been divided into separate sections for audited and unaudited information.

UNAUDITED INFORMATION

Remuneration Committee

This report deals with the remuneration policies and the work of the Remuneration Committee in the year ended 30 June 2010.

The Company has a Remuneration Committee which is responsible for the policy for the fair remuneration of the executive Directors of the Company and its subsidiaries as well as their performance management. The policy is to be 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. The terms are reviewed annually and can be viewed at www.H-L.co.uk.

The Committee is chaired by Jonathan Bloomer. The members of the Committee throughout the financial year were Jonathan Bloomer, Michael Evans and Jonathan Davis who are independent non-executive directors. Chris Barling was elected as an additional member on 26 August 2010. 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.

In determining the Directors' remuneration for the year and the revised remuneration structure for the current financial year, the

Committee consulted Peter Hargreaves, Stephen Lansdown and Ian Gorham about its proposals. These Directors may attend meetings at the invitation of the Committee except when their own remuneration is being discussed.

The role of the Committee

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 executive 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 executive directors and senior employees of the Company is appropriate. Any exceptional remuneration arrangements for senior employees are advised to the Committee.

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. All executive 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. The details of the directors' contracts are summarised in the table below:

Name of director	Contract date	Notice period
P Hargreaves	5 April 2007	12 months
S Lansdown *	5 April 2007	12 months
T Taylor	1 Nov 2008	12 months

* S Lansdown resigned from his service contract as an executive director on 26 August 2010 and both parties waived the 12 month notice period.

Hargreaves Lansdown recognises that its executive 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, executive 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.

Remuneration policy for executive directors of the Company and subsidiary companies

The remuneration policy of the Group is designed to attract, motivate and retain directors of the calibre needed to maintain the Group's position as a market leader and to reward them for enhancing shareholder value.

The Committee believes that a significant proportion of total remuneration should be performance-related to closely align the interests of shareholders and executive directors of the Group. Our policy is to pay relatively low basic salaries but to give executive directors and senior managers the opportunity to earn large bonuses for exceptional performance together with the benefits of participation in share option and share award schemes. Executives are encouraged to accumulate personal holdings in Hargreaves Lansdown plc shares.

Bonuses are based on achievements such as delivering long term profit growth, managing risk, improving customer service and satisfaction, and achieving efficiencies, all of which contribute directly to the value of the business. The Group's profits quickly turn into cash, and the risk of unexpected losses arising in the future from unrealised or deferred liabilities is low. As long as the Remuneration Committee is satisfied that the performance which generates a bonus has been sustained, and the expected profits and cash flows have already materialised, it considers there is no formal requirement for bonus deferral or clawback provision. However, new bonus deferral and minimum shareholding arrangements are being introduced. These new arrangements are described below.

An important corollary of this policy is that bonuses will be generous in years when the Group's performance is good, but more frugal if profitability or the growth in profit deteriorates. If the performance of the business turns down, the directors and most

Directors' Remuneration Report

senior members of staff expect to experience the biggest reductions in bonus, both in monetary and percentage terms.

In the year ended 30 June 2010, there were five main elements of the remuneration package for executive directors and senior management:

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

Basic annual salary

The policy for executive directors of the Company and of the subsidiary companies is that basic annual salary should provide adequate but not generous remuneration.

An executive director's basic salary is reviewed annually by the Committee prior to the beginning of each financial year and when an individual changes position or responsibility. In deciding appropriate levels, the Committee considers salaries throughout the Group as a whole, survey data, information provided by advisors and up-to-date information on a comparator group of companies in the financial sector.

Annual bonus payments

The directors' service contracts provide that the executives may be paid a discretionary bonus for each financial year of the Company. The Committee believes that any incentive compensation awarded should be tied to the interests of the Company's shareholders. Therefore in determining the size of the annual bonus pot to be distributed, the principal measure used is Earnings Per Share.

In determining the bonuses, regard is given to the performance of the individual, the relative success of parts of the business for which the executive director is responsible, and the extent to which the strategic objectives set by the Board are being met.

The Committee does not generally consider it appropriate to set an upper limit on discretionary awards, however there is a cap on the bonuses of Stephen Lansdown and Peter Hargreaves of 300% of salary. Annual bonus payments to the other executive directors, management and staff are not capped. All bonus payments are not pensionable.

Share option and award incentives

The executive directors of the Company and subsidiary companies may have options granted to them under the terms of the

Executive Share Option Scheme. Options under this scheme may be granted to employees and directors of the Group as selected by the Remuneration Committee. Under that scheme, options are allocated to qualifying employees and directors by reference to individual past performance and therefore the exercise of options granted under the Executive Scheme are not dependent upon performance criteria as that performance has already been demonstrated.

The executive directors of the Company and subsidiary companies are entitled to participate in the SAYE share option scheme on the same terms as all other employees. They are also entitled to participate in the Share Incentive Plan (SIP) on the same terms as all other employees.

The exercise price of the options granted under the above schemes is equal to the market value of the Company's shares at the time when the options are granted. Benefits received under share incentive schemes are not pensionable.

At the 2009 Annual General Meeting, shareholders approved a new Executive Joint Share Ownership Plan (JSOP). Similar schemes are often referred to as Share Appreciation Rights, the key feature being that Directors and other executives pay for their interest in the shares at the outset but only benefit if there is further growth in the value of the Company's share price, subject to any conditions attached to the award. The Remuneration Committee is of the view that this new scheme links rewards, performance and the creation of value for shareholders in an effective way, although we also plan to retain the existing option schemes for use when appropriate. Our Employee Benefit Trust (EBT) is well funded and holds sufficient shares to satisfy all outstanding options under all current share schemes.

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: bonuses and other benefits are not pensionable. Employees wishing to make personal contributions to the GSIPP can do so via 'salary exchange' ensuring that they benefit from maximum, immediate relief from income tax and National Insurance Contributions (NIC). Peter Hargreaves and

Stephen Lansdown do not participate in the GSIPP.

Benefits-in-kind

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 benefits-in-kind.

Revised arrangements for current financial year

For the current financial year, on the recommendation of the new Chief Executive, Ian Gorham, the Remuneration Committee has agreed to amend the variable discretionary elements of the remuneration package for the executive directors of the Company and its subsidiaries.

Each executive director shall continue to receive the five elements of remuneration described above. For the first £300,000 of the total rewards amount (being salary and annual bonus), the excess above the salary is payable as an immediate cash bonus. For the excess of total rewards amounts over £300,000, executives can either take the balance as an immediate cash bonus or to receive JSOP shares in the ratio of 2 JSOP shares for £1 of reward. There is an overriding condition that each executive must have a minimum shareholding in the Company of 500,000 shares (including JSOP shares) or £250,000 in deferred bonus, and until that condition is satisfied, reward amounts over the £300,000 threshold must be deferred.

It is the opinion of the new Chief Executive that further establishing a link between successful Director performance and equity participation is to the benefit of shareholders in retaining key talent. Establishing a de-minimis shareholding for Directors encourages long term commitment and behaviours aligned with sustainable profit. The Company Directors and the Remuneration Committee unanimously support the new arrangements, which were introduced on 1 July 2010. The Financial Services Authority recently published a consultation paper titled "Revising the Remuneration Code" in July 2010, which is due to be finalised in November 2010 and effective from 1 January 2011. The Remuneration Committee will consider whether these new arrangements need to be amended in light of this consultation paper.

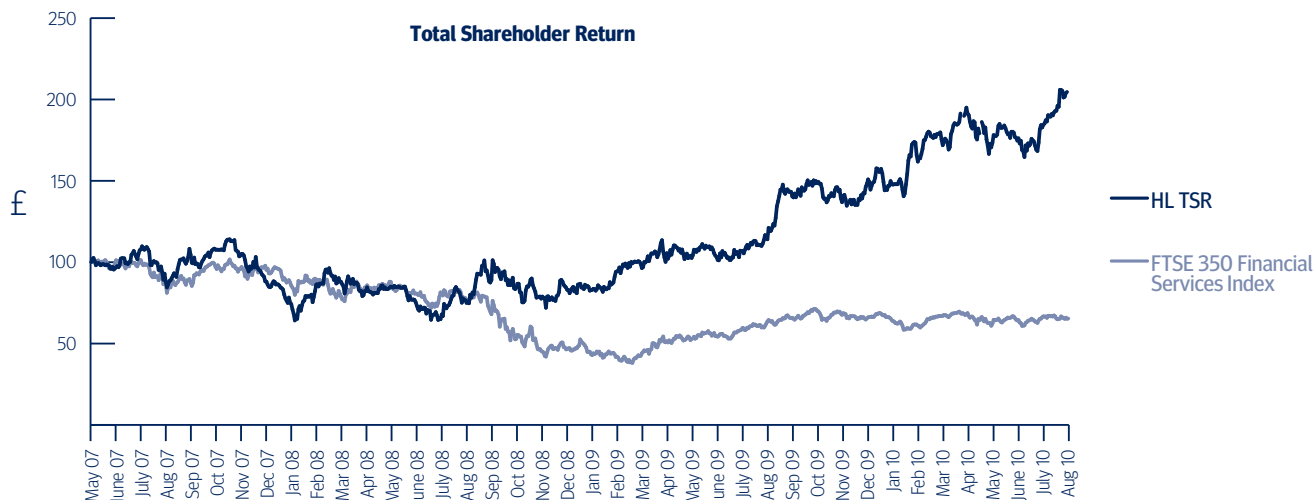
Directors' Remuneration Report

Outcome of review by Remuneration Committee

The Committee reviewed the remuneration packages in the light of the Group's strong performance. Full year profits were again ahead of the market analysts' consensus, costs have been controlled, earnings per share have improved and dividends have increased. Despite the ongoing economic uncertainty, once again these represent excellent results.

Performance graph

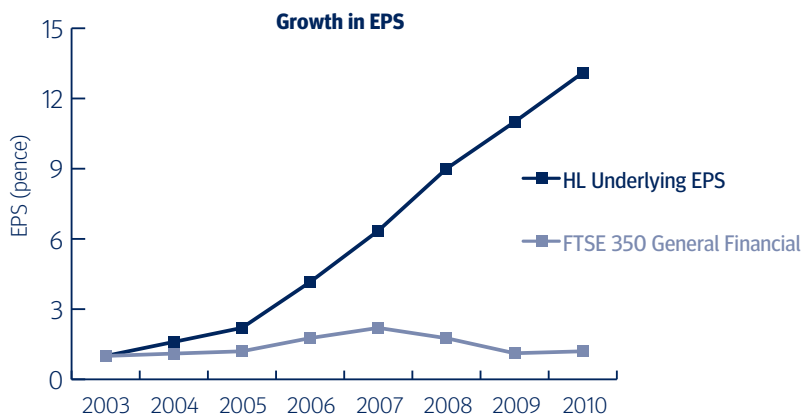
The following graph shows the Company's performance, measured by Total Shareholder Return (TSR) i.e. capital growth and dividends paid, compared with the performance of the FTSE 350 Financial Services Index during the period since flotation.



This graph shows the value of £100 invested in Hargreaves Lansdown plc shares on 15 May 2007 (admission to the Official List) compared to £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.



The Committee reviewed the overall remuneration of the executives. Although profits have increased, the Committee agreed that given the current economic environment a more restrained approach, in particular to bonuses, was appropriate. Therefore basic salaries of the Board executives were reviewed during the year with no increases taking effect. Further it was agreed with effect from 1 July 2010 that the salary and benefits of Peter Hargreaves would be reduced from £406,000 to an amount of circa £60,000, and with effect from 1 March 2010 that the salary of Stephen Lansdown would be reduced from £275,000 to nil, until 26 August 2010 at which time he shall be paid fees of £30,000 p.a. for his position as non-executive director. The salary of the new Chief Executive, Ian Gorham, was agreed at £450,000 from 2 September 2010, being the date of his appointment. The Committee also agreed that Peter Hargreaves and Stephen Lansdown would not receive bonuses for the year (2009: £600,000 and £350,000 respectively) and that Tracey Taylor should receive a bonus of £75,000 (2009: £250,000). The bonuses paid to executive directors of the Company and of the subsidiary companies averaged 0.54 times salary and varied between nil and 1.68 times salary (2009: average 1.88 times, varied between half and four times). Looking forward, strong performance in future years is likely to generate more generous total rewards.

Directors' Remuneration Report

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 the 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 is a member of the Remuneration Committee, Nomination Committee and Audit Committee, and the basic fee of £30,000 to £40,000 p.a. paid (depending on experience) includes a fee for membership of each committee. Additional fees of £15,000 p.a. are paid to Jonathan Bloomer for chairmanship of the three committees. The non-executive chairman is also a member of each of the Committees and is paid a total fee of £90,000 p.a. Stephen Lansdown and Chris Barling who were both appointed as non-executive directors as from 26 August 2010 will both receive a basic fee of £30,000 p.a. 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 2010:

Aggregate directors' remuneration	2010	2009
The total amounts for directors' remuneration were as follows:	£'000	£'000
Pension contributions	32	22
Emoluments	1,040	2,124
Gains on exercise of share options	-	504
Share-based payments	114	2
	1,186	2,652

Directors' pension contributions	2010	2009
1 director was a member of a money purchase scheme during 2010 (2009: 2). Contributions paid by the Company were:	£	£
Name of director		
Current Executive directors		
T P Taylor	32,206	18,567
Former Executive directors		
M J Mulligan	-	3,333
	32,206	21,900

Directors' emoluments	Fees/Basic salary	Benefits in kind	Performance bonuses	2010 Total	2009 Total¹
Name of director	£	£	£	£	£
Current Executive directors					
P K Hargreaves	350,000	55,917	-	405,917	1,016,953
S P Lansdown	183,333	3,161	-	186,494	633,350
T P Taylor	221,702	204	75,000	296,906	274,907
	755,035	59,282	75,000	889,317	1,925,210
Former Executive directors					
M J Mulligan	-	-	-	-	83,333
	-	-	-	-	83,333
Non-executive directors					
J Bloomer	53,897	-	-	53,897	50,000
M Evans	67,083	-	-	67,083	35,000
J Davis	30,000	-	-	30,000	30,000
	150,980	-	-	150,980	115,000
Aggregate emoluments	906,015	59,282	75,000	1,040,297	2,123,543

¹ Emoluments for Tracey Taylor are shown for the 7 months following appointment to the Board and include annual performance bonus accrued for the period. Emoluments for Martin Mulligan are included up to date of resignation.

Directors' Remuneration Report

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 are subject to a three year retention period and are held by the trustee of the SIP, Hargreaves Lansdown Trustee Company Limited. 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 2010 was £3.384 and the range during the year to 30 June 2010 was £2.015 to £3.810.

Aggregate emoluments disclosed above do not include any amounts for the value of options to acquire ordinary shares in the Company granted to or held by the directors. During the year, the following executive directors acquired Ordinary Shares in the Company from the EBT pursuant to Share Options under the Executive Option Scheme (Unapproved), and the all-employee SAYE scheme on the following terms:

Name of director	Number of Ordinary Shares Acquired	Exercise Price	Date of exercise	Closing market price at exercise date	Gains on exercise 2010 £	Gains on exercise 2009 £
Current Executive directors						
T P Taylor	108,350	£0.04	1 August 2008	£1.63	-	172,671
	220,000	£0.64	10 March 2009	£2.02	-	303,300
Former Executive directors						
M J Mulligan	17,325	£0.04	1 August 2008	£1.63	-	27,610
					-	503,581

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 2009	Exercised	Granted	Purchased	Lapsed	At 30 June 2010	Exercise Price	Expiration Date	Date from which exercisable
T P 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

Note: An interest in 1,000,000 Hargreaves Lansdown shares was purchased under the JSOP in December 2009. This interest cannot be realised other than in accordance with the Deed signed by the director and the Trustee at the date the shares were purchased. Full details of the scheme were made available at the annual general meeting in November 2009.

Approval

This report was approved by the Board of directors on 8 September 2010 and signed on its behalf by:

Michael Evans
Member of the Remuneration Committee
 8 September 2010

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, 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

Peter Hargreaves
Executive Director
8 September 2010

Tracey Taylor
Group Finance Director
8 September 2010

Independent Auditors' Report to the Members of Hargreaves Lansdown plc

We have audited the financial statements of Hargreaves Lansdown plc for the year ended 30 June 2010 which comprise the Group Income Statement, the Group and Parent Company Statement of Comprehensive Income, the Group and Parent Company Statements of Changes in Equity, the Group and Parent Company Balance Sheets, the Group and Parent Company Statements of Cash Flows and the related notes 1 to 28. 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 auditors' 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 auditors

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 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 (APB'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.

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 2010 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 IFRS's 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; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Simon Cleveland
(Senior Statutory Auditor)
for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditors
Bristol, United Kingdom

8 September 2010

Consolidated Income Statement

		Year ended 30 June 2010	Year ended 30 June 2009
	Note	£'000	£'000
Revenue	4	158,970	132,845
Total operating income		158,970	132,845
Administrative expenses		(73,588)	(63,038)
Operating profit		85,382	69,807
Investment revenue	8	854	2,534
Other gains	9	59	740
Profit before tax		86,295	73,081
Tax	10	(25,020)	(20,968)
Profit for the financial year	6	61,275	52,113
Attributable to:			
Equity holders of the Company		61,266	52,123
Minority interest		9	(10)
		61,275	52,113
Earnings per share			
Basic earnings per share * (pence)	12	13.2	11.2
Diluted earnings per share * (pence)	12	13.1	11.1

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

** Adjusted earnings per share, excluding the impact of investment gains and one-off costs relating to the office move, are shown in note 12.*

Consolidated and Company Statements of Comprehensive Income

	Group		Company	
	Year ended 30 June 2010	Year ended 30 June 2009	Year ended 30 June 2010	Year ended 30 June 2009
	£'000	£'000	£'000	£'000
Profit for the financial year	61,275	52,113	54,336	46,150
Other comprehensive income for the period:				
Increase/(decrease) in fair value of available-for-sale investments	168	(77)	185	(77)
Total comprehensive income for the financial year	61,443	52,036	54,521	46,073
Attributable to:				
Equity holders of the Company	61,434	52,046	54,521	46,073
Non-controlling interest	9	(10)	-	-
	61,443	52,036	54,521	46,073

Consolidated Statement of Changes in Equity

Attributable to the owners of the Company

	Share capital £'000	Share premium account £'000	Investment revaluation reserve £'000	Capital redemption reserve £'000	Shares held by EBT reserve £'000	EBT reserve £'000	Share option reserve £'000	Retained earnings £'000	Total £'000	Non- controlling interest £'000	Total equity £'000
At 1 July 2008	1,897	8	-	12	(9,739)	12,053	6,885	59,255	70,371	(60)	70,311
Profit for the period	-	-	-	-	-	-	-	52,123	52,123	(10)	52,113
Other comprehensive income:-											
Net fair value loss on available-for-sale assets	-	-	(77)	-	-	-	-	-	(77)	-	(77)
Employee Benefit Trust:-											
Shares sold in the year	-	-	-	-	2,606	-	-	-	2,606	-	2,606
Shares acquired in the year	-	-	-	-	(3,832)	-	-	-	(3,832)	-	(3,832)
EBT share sale net of tax	-	-	-	-	-	(935)	-	-	(935)	-	(935)
Employee share option scheme:-											
Share-based payments expense	-	-	-	-	-	-	184	-	184	-	184
Deferred tax effect of share-based payments	-	-	-	-	-	-	(1,821)	-	(1,821)	-	(1,821)
Tax relief on exercise of share option	-	-	-	-	-	-	2,329	-	2,329	-	2,329
Dividend paid	-	-	-	-	-	-	-	(36,228)	(36,228)	-	(36,228)
Reserves transfer	-	-	-	-	-	-	(7,577)	7,577	-	-	-
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

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.

The share option reserve represented the effect of share-based payments and associated tax. From 31 December 2009 this has been shown within retained earnings rather than as a separate reserve.

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 15% shareholding in Library Information Services Limited, a subsidiary of the Company.

Company Statement of Changes in Equity

	Attributable to the owners of the Company					Total £'000
	Share capital £'000	Share premium account £'000	Investment revaluation reserve £'000	Capital redemption reserve £'000	Retained earnings £'000	
At 1 July 2008	1,897	8	-	12	25,769	27,686
Profit for the period	-	-	-	-	46,150	46,150
Other comprehensive income:-						
Net fair value loss on available-for-sale assets	-	-	(77)	-	-	(77)
Dividend paid	-	-	-	-	(36,228)	(36,228)
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

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

		Group		Company	
		At 30 June	At 30 June	At 30 June	At 30 June
		2010	2009	2010	2009
	Note	£'000	£'000	£'000	£'000
Assets:					
Non-current assets					
Goodwill	13	1,333	1,333	-	-
Other intangible assets	14	211	237	-	-
Property, plant and equipment	15	7,445	1,791	-	26
Investments	17	-	-	2,152	2,152
Deferred tax assets	19	2,941	1,826	48	77
		11,930	5,187	2,200	2,255
Current assets					
Trade and other receivables	18	104,174	75,417	104	428
Cash and cash equivalents	18	71,245	87,416	12,078	34,795
Investments	17	2,322	2,382	1,587	1,402
Current tax assets		33	21	-	42
		177,774	165,236	13,769	36,667
Total assets		189,704	170,423	15,969	38,922
Liabilities:					
Current liabilities					
Trade and other payables	20	108,692	75,992	983	1,391
Current tax liabilities		14,061	8,997	192	-
		122,753	84,989	1,175	1,391
Net current assets		55,021	80,247	12,594	35,276
Non-current liabilities					
Provisions	21	898	784	-	-
		898	784	-	-
Total liabilities		123,651	85,773	1,175	1,391
Net assets		66,053	84,650	14,794	37,531
Equity:					
Share capital	22	1,897	1,897	1,897	1,897
Share premium account		8	8	8	8
Investment revaluation reserve		91	(77)	108	(77)
Capital redemption reserve		12	12	12	12
Shares held by Employee Benefit Trust reserve		(14,505)	(10,965)	-	-
EBT reserve		10,166	11,118	-	-
Share option reserve		-	7,577	-	-
Retained earnings		68,445	75,150	12,769	35,691
Total equity, attributable to equity shareholders of the parent		66,114	84,720	14,794	37,531
Minority interest		(61)	(70)	-	-
Total equity		66,053	84,650	14,794	37,531

The financial statements of Hargreaves Lansdown Plc, registered number 02122142, were approved by the Board of directors and authorised for issue on 8 September 2010.

Ian Gorham, Chief Executive
8 September 2010

Tracey Taylor, Group Finance Director
8 September 2010

Statement of Cash Flows

		Group		Company	
		Year ended 30 June 2010	Year ended 30 June 2009	Year ended 30 June 2010	Year ended 30 June 2009
	Note	£'000	£'000	£'000	£'000
Net cash from operating activities, after tax	23	71,530	56,951	383	(3,757)
Investing activities					
Interest received		804	2,438	260	609
Dividends received from investments		50	96	53,800	45,750
Proceeds on disposal of available-for-sale investments		228	748	-	748
Proceeds on disposal of plant and equipment		102	-	100	-
Purchases of property, plant and equipment		(7,834)	(1,007)	-	-
Purchase of intangible fixed assets		(263)	(345)	-	-
Acquisition of available-for-sale investments		-	(1,317)	-	(1,001)
Net cash from investing activities		(6,913)	613	54,160	46,106
Financing activities					
Purchases of own shares in EBT		(3,590)	(3,832)	-	-
Proceeds on sale of own shares in EBT		62	1,671	-	-
Dividends paid		(77,260)	(36,228)	(77,260)	(36,228)
Net cash used in financing activities		(80,788)	(38,389)	(77,260)	(36,228)
Net (decrease)/increase in cash and cash equivalents		(16,171)	19,175	(22,717)	6,121
Cash and cash equivalents at beginning of year		87,416	68,241	34,795	28,674
Cash and cash equivalents at end of year		71,245	87,416	12,078	34,795

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 Operating and Financial 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 £54,336,000 (2009: £46,150,000).

At the date of the authorisation of the financial statements the following standards and interpretations, which are relevant to the Group but have not been applied in the financial statements, were in issue but not yet effective:

IAS 1	Amendment - Presentation of financial statements
IAS 7	Amendment - Statement of cash flows
IAS 17	Amendment - Leases
IAS 24	Revised - Related party disclosures
IAS 27	Amendment - Consolidated and separate financial statement
IAS 32	Amendment - Financial instruments: Presentation
IAS 36	Amendment - Impairment of assets
IAS 39	Amendment - Financial instruments: Recognition and measurement
IFRS 2	Amendment - Share-based payments
IFRS 5	Amendment - Non-current assets held for sale and discontinued operations
IFRS 7	Amendment - Financial instruments: Disclosures
IFRS 8	Amendment - Operating segments
IFRS 9	Financial instruments - Classification and measurement
IFRIC 19	Extinguishing financial liabilities with equity instruments

The full impact of these pronouncements is being assessed by the Group. However, the initial view is that the directors anticipate that the future adoption of those standards, interpretations and amendments listed above will not have a material impact on the Group’s results reported within the financial statements other than requiring additional disclosure or alternative presentation.

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.

Changes in accounting policy

In the current financial year, the Group has adopted International Financial Reporting Standard (“IFRS”) 8 “Operating Segments” and International Accounting Standard (“IAS”) 1 “Presentation of Financial Statements” (revised 2007).

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Executive to allocate resources to the segments and to assess their performance. In contrast, the predecessor Standard (IAS 14 “Segment Reporting”) required the Group to identify two sets of segments (business and geographical), using a risks and rewards approach. As the nature of the services provided, the regulatory environment, the customer base and distribution channels for each division are the same, the consolidated entity operated in one business segment for the purposes of IAS 14 and hence no additional business segmental analysis were shown in the 2009 accounts. The comparatives in note 5 are presented in accordance with IFRS 8.

IAS 1 (revised) requires the presentation of a statement of changes in equity as a primary statement, separate from the income statement and statement of comprehensive income. As a result, a consolidated and company only statement of changes in equity has been included in the primary statements, showing changes in each component of equity for each period presented.

Notes to the Financial Statements (continued)

2. Significant accounting policies (continued)

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 2010. 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 pages 19 and 25.

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.

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. Initial commissions are deemed to be earned at the policy inception date, except in the case of the Group's stockbroking and unit trust management subsidiary undertakings where all income earned on securities transactions entered into on behalf of clients are recorded in the accounts on the date of the transaction.

Where commission is received on an indemnity basis, a provision is made for clawbacks 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.

Notes to the Financial Statements (continued)

2. Significant accounting policies (continued)

Operating profit

Operating profit is stated before investment revenue and finance costs. Adjusted operating profit is stated before investment revenue, finance costs and one-off costs relating to 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.

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.

Notes to the Financial Statements (continued)

2. Significant accounting policies (continued)

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.

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.

Notes to the Financial Statements (continued)

2. Significant accounting policies (continued)

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.

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 38, 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 18.

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.

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.

Indemnity provision

The indemnity provision represents management's best estimate of the Group's liability to policy lapses resulting in indemnity commission claw-backs. The calculation is based on the volume of indemnified commission and on past experience of policy cancellation.

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.

Notes to the Financial Statements (continued)

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 2010	Year ended 30 June 2009
Revenue from services:	£'000	£'000
Fees and commission income	135,738	99,578
Interest and similar income	20,521	31,142
Subscriptions and sundry charges	2,711	2,125
Total operating income	158,970	132,845

5. Segment information

In 2009, the Group adopted IFRS 8 "Operating Segments". The impact of this accounting standard is purely presentational.

At 30 June 2010, the Group is organised into three business segments, namely the Vantage Division, the Discretionary Division and the Third Party/Other Services Division. This is based upon the Group's internal organisation and management structure and is the primary way in which the Chief Operating Decision Maker (CODM) is provided with financial information. The CODM has been identified as the Board of Executive Directors.

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

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

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

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

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

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 2010 and 2009, 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 (continued)

5. Segment information (continued)

	Vantage £'000	Discretionary £'000	Third Party/ Other Services £'000	Group £'000	Consolidation Adjustment £'000	Consolidated £'000
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
Year ended 30 June 2009						
Revenue from external customers	87,529	19,288	26,026	2	-	132,845
Inter-segment revenue	-	1,827	-	-	(1,827)	-
Total segment revenue	87,529	21,115	26,026	2	(1,827)	132,845
Depreciation and amortisation	635	279	686	149	-	1,749
Investment revenue	-	-	-	2,534	-	2,534
Other gains	-	-	-	740	-	740
Reportable segment profit before tax	51,015	8,340	10,852	2,874	-	73,081
Reportable segment assets	61,406	6,678	9,533	97,456	(4,650)	170,423
Reportable segment liabilities	(51,050)	(4,949)	(12,446)	(19,826)	2,498	(85,773)
Net segment assets	10,356	1,729	(2,913)	77,630	(2,152)	84,650

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 (continued)

6. Profit for the year

Profit for the year has been arrived at after charging:

	Year ended 30 June 2010	Year ended 30 June 2009
	£'000	£'000
Depreciation of owned plant and equipment	2,138	1,350
Amortisation of other intangible assets	289	399
Operating lease rentals payable - property	3,052	968
Staff costs (note 7)	36,012	37,244
One-off costs of the office move	4,429	1,459

Auditors' remuneration

The analysis of auditors' remuneration is as follows:

	Year ended 30 June 2010	Year ended 30 June 2009
	£'000	£'000
Audit fees: fees payable for the audit of the Company's annual accounts	5	5
Audit fees: fees payable for the audit of the Company's subsidiaries pursuant to legislation	79	79
Audit fees: fees payable for the review of the Company's half yearly financial report	10	10
Audit fees: other verification work	7	6

Fees payable to the Company's auditors and their associates for other services to the Group:

Tax advisory services	-	2
Total non-audit fees	-	2

7. Staff costs

The average monthly number of employees of the Group (including executive directors) was:

	Year ended 30 June 2010	Year ended 30 June 2009
	No.	No.
Operating and support functions	465	447
Administrative functions	163	160
	628	607

Of which the following number were employed by the parent company:

Administrative functions	3	3
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Notes to the Financial Statements (continued)

7. Staff costs (continued)

	Year ended 30 June 2010	Year ended 30 June 2009
	£'000	£'000
Their aggregate remuneration comprised:		
Wages and salaries	30,054	31,337
Social security costs	3,353	3,477
Share-based payments expense	608	184
Other pension costs	1,997	2,246
	36,012	37,244

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 25.

8. Investment revenue

	Year ended 30 June 2010	Year ended 30 June 2009
	£'000	£'000
Interest on bank deposits	804	2,438
Dividends from equity investment	50	96
	854	2,534

9. Other gains

	Year ended 30 June 2010	Year ended 30 June 2009
	£'000	£'000
Gain on disposal of non-current assets	59	-
Gain on disposal of investments	-	740
	59	740

The gain on disposal of investment represents further consideration received on completion of earnout clauses following the sale of an investment during a previous financial year.

Notes to the Financial Statements (continued)

10. Tax

	Year ended 30 June 2010	Year ended 30 June 2009
	£'000	£'000
Current tax	25,031	21,262
Deferred tax (note 19)	(11)	(294)
	25,020	20,968

Corporation tax is calculated at 28% of the estimated assessable profit for the year to 30 June 2010.

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

	£'000	£'000
Deferred tax relating to share-based payments	(1,104)	1,821
Current tax relief on exercise of share options	-	(2,329)
Current tax on gain on disposal of shares held by EBT	(965)	-
	(2,069)	(508)

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 (No 2) Act received Royal Assent on 27 July 2010 reduces the standard UK corporation tax rate to 27% (from 28%) on 1 April 2011. Deferred tax has been recognised at 28%, being the rate in force at balance sheet date. A deferred tax asset in respect of future share option deductions has been recognised based on the Company's share price as at 30 June 2010.

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

	Year ended 30 June 2010	Year ended 30 June 2009
	£'000	£'000
Profit before tax from continuing operations	86,295	73,081
Theoretical tax charge	24,162	20,463
- at the UK corporation tax rate of	28%	28%
Items not allowable for tax	844	18
Effect of adjustments relating to prior years	(7)	452
Utilisation of small company rate and rate applicable to trusts	21	35
Tax expense for the year	25,020	20,968
Effective tax rate	28.9%	28.7%

Notes to the Financial Statements (continued)

11. Dividends

	Year ended 30 June 2010	Year ended 30 June 2009
	£'000	£'000
Amounts recognised as distributions to equity holders in the period:		
2009 Final dividend of 4.229p (2008: 2.42p) per share	19,640	11,224
2009 Final special dividend of 2.807p (2008: 2.234p) per share	13,036	10,779
First interim dividend of 8.0p (2009: 3.065p) per share	37,154	14,225
First interim special dividend of 1.6p per share	7,431	-

After the balance sheet date, the directors declared a second interim (final) ordinary dividend of 0.58 pence per share and a special dividend of 1.7 pence per share payable on 29 September 2010 to shareholders on the register on 10 September 2010. Dividends are required to be recognised in the financial statements when paid, and accordingly the proposed dividend amounts are not recognised in these financial statements, but will be included in the 2011 financial statements as follows:

	£'000
Final dividend proposed of 0.58p per share	2,688
Special dividend proposed of 1.70p per share	7,879

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 2010	Year ended 30 June 2009
Number of shares held by the Hargreaves Lansdown Employee Benefit Trust	10,693,671	9,762,032
Representing % of called-up share capital	2.25%	2.06%

12. Earnings per share

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

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

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

Notes to the Financial Statements (continued)

12. Earnings per share (continued)

	Year ended 30 June 2010	Year ended 30 June 2009
Earnings (all from continuing operations)	£'000	£'000
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the parent company	61,266	52,123
Other gains	(59)	(740)
Tax on other gains	-	48
One-off costs relating to the new office	4,429	1,459
Tax on one-off costs relating to the new office	(720)	-
Earnings for the purposes of adjusted basic and adjusted diluted earnings per share	64,916	52,890
Number of shares	Number	Number
Weighted average number of ordinary shares for the purposes of diluted earnings per share	468,417,838	469,318,665
Weighted average number of shares held by HL EBT which have not vested unconditionally with employees	3,944,947	3,077,285
Weighted average number of ordinary shares for the purposes of basic earnings per share	464,472,891	466,241,380
Earnings per share	Pence	Pence
Basic earnings per share	13.2	11.2
Diluted earnings per share	13.1	11.1
Adjusted basic earnings per share	14.0	11.3
Adjusted diluted earnings per share	13.9	11.3

13. Goodwill - Group

	At 30 June 2010	At 30 June 2009
Cost	£'000	£'000
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. The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. The recoverable amount of goodwill is determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates and growth rates during the period. The Group prepares cash flow forecasts derived from the most recent financial forecasts covering the period to 30 June 2012 approved by management extrapolated based on an estimated long term industry growth rate of 3%. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to this subsidiary. The pre-tax rate used to discount the forecast cash flows is 9.8%.

Notes to the Financial Statements (continued)

14. Other intangible assets - Group

	Computer Software £'000
Cost	
At 1 July 2008	1,751
Additions	368
Disposals	(15)
Other movements	(23)
At 1 July 2009	2,081
Additions	263
At 30 June 2010	2,344
Amortisation	
At 1 July 2008	1,460
Charge	411
Disposals	(15)
Other movements	(12)
At 1 July 2009	1,844
Charge	289
At 30 June 2010	2,133
Carrying amount	
At 30 June 2010	211
At 30 June 2009	237

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

15. Property, plant and equipment - Group

	Motor vehicles £,000	Fixtures, fittings, plant and equipment £'000	Total £'000
Cost or valuation			
At 1 July 2008	31	6,143	6,174
Additions	-	1,251	1,251
Disposals	-	(33)	(33)
Other movements	-	(244)	(244)
At 1 July 2009	31	7,117	7,148
Additions	-	7,834	7,834
Disposals	-	(1,338)	(1,338)
At 30 June 2010	31	13,613	13,644
Accumulated depreciation and impairment			
At 1 July 2008	8	4,024	4,032
Charge	8	1,342	1,350
Disposals	-	(25)	(25)
At 1 July 2009	16	5,341	5,357
Charge	8	2,130	2,138
Disposals	-	(1,296)	(1,296)
At 30 June 2010	24	6,175	6,199
Carrying amount			
At 30 June 2010	7	7,438	7,445
At 30 June 2009	15	1,776	1,791

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

Notes to the Financial Statements (continued)

15. Property, plant and equipment - Company

	Fixtures, fittings, plant and equipment
Cost or valuation	£'000
At 1 July 2008	1,380
Disposals	(12)
At 1 July 2009	1,368
Disposals	(668)
At 30 June 2010	700
Accumulated depreciation and impairment	
At 1 July 2008	1,204
Charge	148
Disposals	(10)
At 1 July 2009	1,342
Charge	21
Disposals	(663)
At 30 June 2010	700
Carrying amount	
At 30 June 2010	-
At 30 June 2009	26

16. Subsidiaries

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

Name of company	Shares held	Nature of business
Hargreaves Lansdown Asset Management Ltd	100%	Unit trust and equity broking, investment fund management, life and pensions consultancy
Hargreaves Lansdown Stockbrokers Ltd	100%	Stockbroking
Hargreaves Lansdown Fund Managers Ltd	100%	Unit Trust Management
Hargreaves Lansdown Pensions Direct Ltd	100%	Pension broking
Hargreaves Lansdown Nominees Ltd	100%	Nominee services
Hargreaves Lansdown Pensions Trustees Ltd	100%	Trustee of the Vantage SIPP
Library Information Services Ltd	85%	Data provider
Hargreaves Lansdown EBT Trustees Ltd	100%	Trustee of the Employee Benefit Trust
Hargreaves Lansdown Trustee Company Ltd	100%	Trustee of the Share Incentive Plan

Notes to the Financial Statements (continued)

17. Investments - Group

	At 30 June 2010	At 30 June 2009
	£'000	£'000
At beginning of year	2,382	1,142
(Sales)/purchases	(228)	1,317
Net increase/(decrease) in the value of available-for-sale investments	168	(77)
At end of year	2,322	2,382
Current asset investments	2,322	2,382

Current asset investments include the following:

	At 30 June 2010	At 30 June 2009
	£'000	£'000
UK listed securities valued at quoted market price	1,581	1,641
Unlisted securities valued at cost	741	741
	2,322	2,382

£471,000 (2009: £717,000) of investments are classified as held at fair value through profit and loss and £1,851,000 (2009: £1,665,000) 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.

17. Investments - Company

	At 30 June 2010	At 30 June 2009
	£'000	£'000
At beginning of period	3,554	2,630
Net increase/(decrease) in the value of available-for-sale investments	185	(77)
Purchases	-	1,001
At end of year	3,739	3,554
Non - current asset investments	2,152	2,152
Current asset investments	1,587	1,402
	3,739	3,554

Notes to the Financial Statements (continued)

17. Investments - Company (continued)

	At 30 June 2010	At 30 June 2009
	£'000	£'000
Current asset investments:-		
UK listed securities valued at quoted market price	1,109	924
Unlisted securities valued at cost	478	478
Non current assets:-		
Investments in subsidiaries valued at cost less impairment	2,152	2,152
	3,739	3,554

£1,587,000 (2009: £1,402,000) 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.

18. Other financial assets

Trade and other receivables

	Group		Company	
	At 30 June 2010	At 30 June 2009	At 30 June 2010	At 30 June 2009
	£'000	£'000	£'000	£'000
Amounts receivable from subsidiaries and EBT	-	-	81	300
Trade receivables	91,306	60,780	-	-
Other receivables	344	291	-	-
Prepayments	12,524	14,346	23	128
	104,174	75,417	104	428

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 £80.3 million (2009: £54.0 million) of counterparty balances.

Cash and cash equivalents

	Group		Company	
	At 30 June 2010	At 30 June 2009	At 30 June 2010	At 30 June 2009
	£'000	£'000	£'000	£'000
Cash and cash equivalents	71,245	87,416	12,078	34,795
Comprising:				
Restricted cash - client settlement account balances	9,729	10,231	-	-
Restricted cash - balances held by EBT	3,289	6,800	-	-
Group cash and cash equivalent balances	58,227	70,385	12,078	34,795

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 2010 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 £2,071 million (2009: £1,785 million). The client retains the beneficial interest in these deposits and accordingly they are not included in the balance sheet of the Group.

Notes to the Financial Statements (continued)

21. Provisions - Group

	Commission on indemnity terms	Property costs	Total
Included within non-current liabilities:	£'000	£'000	£'000
At 1 July 2008	279	165	444
Charged during year	96	244	340
At 1 July 2009	375	409	784
(Utilised)/charged during year	(103)	217	114
At 30 June 2010	272	626	898

The indemnity provision represents management's best estimate of the Group's liability to repay commission received on indemnity terms. The provision is based on past experience and the volume of indemnified commission, and is expected to be utilised over indemnity periods of up to 4 years.

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.

22. Share capital - Company and Group

	At 30 June 2010	At 30 June 2009
	£'000	£'000
Authorised:		
525,000,000 ordinary shares of 0.4p each	2,100	2,100
Issued and fully paid:		
Ordinary shares of 0.4p each	1,897	1,897
	Shares	Shares
Issued and fully paid:		
Number of ordinary shares of 0.4p each	474,318,625	474,318,625

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

Notes to the Financial Statements (continued)

23. Note to the consolidated cashflow

	Group		Company	
	Year ended 30 June 2010	Year ended 30 June 2009	Year ended 30 June 2010	Year ended 30 June 2009
	£'000	£'000	£'000	£'000
Profit for the year after tax	61,275	52,113	54,336	46,150
Adjustments for:				
Investment revenues	(854)	(2,534)	(54,059)	(46,359)
Other gains	(59)	(740)	(95)	(746)
Income tax expense	25,020	20,968	221	(66)
Depreciation of plant and equipment	2,138	1,350	21	148
Amortisation of intangible assets	289	399	-	-
Share-based payment expense	608	184	-	-
Increase in provisions	114	340	-	-
Operating cash flows before movements in working capital	88,531	72,080	424	(873)
Decrease/(increase) in receivables	(28,757)	1,185	324	(105)
Increase/(decrease) in payables	32,700	3,884	(407)	(2,811)
Cash generated by operations	92,474	77,149	341	(3,789)
Income taxes (paid)/received	(20,944)	(20,198)	42	32
Net cash from operating activities, after tax	71,530	56,951	383	(3,757)

24. Commitments

Operating lease commitments	Year ended 30 June 2010	Year ended 30 June 2009
	£'000	£'000
The Group as lessee		
Minimum lease payments under operating leases recognised as an expense in the year	3,052	968
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	1,907	987
In the second to fifth years inclusive	11,101	10,602
After five years	31,222	33,997
Total minimum lease payments	44,230	45,586

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 2010 amounted to £256,105 (2009: £94,219).

Capital commitments

At the balance sheet date, the Group had no significant capital commitments (2009: £818,000).

Notes to the Financial Statements (continued)

25. 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:

	30 June 2010		30 June 2009	
	Share options No.	Weighted average exercise price Pence	Share options No.	Weighted average exercise price Pence
SIP				
Outstanding at beginning of year	776,600	23.5	886,875	23.5
Exercised during the year	(23,375)	23.5	(21,725)	23.5
Forfeited during the year	(4,400)	23.5	(88,550)	23.5
Outstanding at the end of the year	748,825	23.5	776,600	23.5
Exercisable at the end of the year	748,825	23.5	-	-
SAYE				
Outstanding at beginning of year	4,634,561	66.4	8,138,625	33.3
Granted during the year	418,676	268.3	533,682	175.0
Exercised during the year	(53,006)	60.4	(3,449,124)	4.4
Forfeited during the year	(84,354)	87.8	(588,622)	70.2
Outstanding at the end of the year	4,915,887	82.8	4,634,561	66.4
Exercisable at the end of the year	53,973	90.8	22,651	54.5

Notes to the Financial Statements (continued)

25. Share-based payments (continued)

	30 June 2010		30 June 2009	
	Share options No.	Weighted average exercise price Pence	Share options No.	Weighted average exercise price Pence
Executive Option Scheme				
Outstanding at beginning of year	829,170	195.4	2,392,500	63.6
Granted during the year	512,320	316.3	829,170	195.4
Exercised during the year	(15,355)	195.4	(2,392,500)	63.6
Outstanding at the end of the year	1,326,135	242.1	829,170	195.4
Exercisable at the end of the year	30,710	195.4	-	-
JSOP				
Interests in shares purchased during the year	2,750,000	-	-	-
Outstanding at the end of the year	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 273.08 pence.

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

	30 June 2010		30 June 2009	
Option exercise price range (pence)	Share options No.	Weighted average expected remaining life	Share options No.	Weighted average expected remaining life
23.5	748,825	0 years	776,600	0.4 years
54.5	4,081,825	1.8 years	4,179,551	2.8 years
175.0	421,171	3.3 years	455,010	4.3 years
195.4	813,815	3.8 years	829,170	4.8 years
268.3	412,881	4.7 years	-	-
268.8	2,750,000	2.4 years	-	-
283.8	250,000	2.3 years	-	-
347.2	262,320	4.7 years	-	-
	9,740,837	2.2 years	6,240,331	2.9 years

The fair value at the date of grant of options awarded during the year ended 30 June 2010 and the year ended 30 June 2009 has been estimated by the Black Scholes methodology and the principal assumptions required by the methodology were as follows:

Notes to the Financial Statements (continued)

25. Share-based payments (continued)

	At 30 June 2010	At 30 June 2009
Weighted average share price	296.25 p	181.12 p
Expected dividend yields	4.09%	4.97%
SAYE		
Weighted average exercise price	268.30 p	175.00 p
Expected volatility	47%	13%
Risk-free rate	3.00%	3.00%
Expected life	5 years	5 years
Executive scheme		
Weighted average exercise price	316.28 p	195.38 p
Expected volatility	38%	13%
Risk-free rate	3.00%	3.00%
Expected life	4 years	5 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.

26. Events after the balance sheet date

Dividend

On 1 September 2010 the Directors proposed a second interim (final) ordinary dividend payment of 0.58 pence per ordinary share and a special dividend of 1.7 pence per ordinary share, payable on 29 September 2010 to all shareholders on the register at the close of business on 10 September as detailed in note 11.

27. 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 ending 30 June 2010 and 30 June 2009 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 at an annual rental of £302,400. No amount was outstanding at any 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 is to be paid and approximately £225,000 will be paid in dilapidation costs. Both amounts will ultimately go to P K Hargreaves and S P Lansdown. As at 30 June 2010, both amounts had been accrued for in the group accounts but had not yet been paid.

During the years ending 30 June 2010 and 30 June 2009 the Group has provided a range of investment services to shareholders, directors and staff on normal third party business terms.

Notes to the Financial Statements (continued)

27. Related Party Transactions (continued)

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 2010	Year ended 30 June 2009
	£'000	£'000
Short-term employee benefits	3,979	6,337
Defined contribution pension costs	243	171
Share-based payments	337	31
	4,559	6,539

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 2010	Year ended 30 June 2009
	£'000	£'000
Wages and salaries, excluding national insurance costs	1,040	2,124
Pension contributions	32	22
Share-based payments	114	2
	1,186	2,148
Aggregate gains made on the exercise of share options	-	504
Emoluments of the highest paid director	406	1,017
Number of directors who were members of money purchase pension schemes	1	2

Transactions between subsidiaries and between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. 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 2010	Year ended 30 June 2009
	£'000	£'000
Dividends received from subsidiaries	53,800	45,750
Management charges to subsidiaries	720	720
Amounts owed to related parties at 30 June	949	14
Amounts owed by related parties at 30 June	81	300

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 (continued)

28. 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

In the current financial year, the Group has adopted the amendment to IFRS 7 "Improving Disclosures about Financial Instruments". No comparative disclosures are provided as they are not required in the first year of application.

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 2010				
Cash and cash equivalents	71,245	-	-	71,245
Financial assets at fair value through profit or loss	471	-	-	471
Available-for-sale financial assets	1,110	-	741	1,851
	72,826	-	741	73,567

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.

Notes to the Financial Statements (continued)

28. Financial instruments (continued)

(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 2010 the value of financial instruments on the Group balance sheet exposed to interest rate risk was £71,245,000 (2009: £87,416,000) 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.

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 2010, the fair value of investments recognised on the Group balance sheet was £2,322,000 (2009: £2,382,000). 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 by limits and monitoring controls.

(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.

Notes to the Financial Statements (continued)

28. Financial instruments (continued)

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 2010					
Trade and other payables - current:					
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
Total	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
At 30 June 2009					
Trade and other payables - current:					
Trade payables	62,601	-	-	-	62,601
Social security and other taxes	3,381	42	-	-	3,423
Other payables	8,176	333	-	-	8,509
Accruals and deferred income	1,426	33	-	-	1,459
Total	75,584	408	-	-	75,992
Current tax	4,795	4,178	12	12	8,997
Long term provisions	418	42	315	9	784
Total financial liability exposed to liquidity risk	80,797	4,628	327	21	85,773

(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.

Notes to the Financial Statements (continued)

28. Financial instruments (continued)

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

	At 30 June 2010	At 30 June 2009
	£'000	£'000
Receivables at cost:		
Cash and cash equivalents	71,245	87,416
Trade and other receivables	104,174	75,417
Financial assets at fair value through profit or loss:		
Financial investments	471	717
Available-for-sale financial assets:		
Financial investments	1,851	1,665
	177,741	165,215

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	0-3 months past due	3-6 months past due	6-12 months past due	Over 12 months past due	Total
Group	£'000	£'000	£'000	£'000	£'000	£'000
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
At 30 June 2009						
Trade and other receivables:-						
Trade receivables	56,232	4,026	174	240	108	60,780
Other receivables	289	-	-	2	-	291
Prepayments and accrued income	14,346	-	-	-	-	14,346
	70,867	4,026	174	242	108	75,417
Held for trading assets	717	-	-	-	-	717
Available-for-sale assets	1,665	-	-	-	-	1,665
	73,249	4,026	174	242	108	77,799

Notes to the Financial Statements (continued)

28. 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, £3.2 million (2009: £1.5 million) is due from financial institutions regulated by the FSA in the course of settlement as a result of daily trading and £7.3 million (2009: £4.3 million) relates to revenue items due from financial institutions regulated by the FSA.

For prepayment 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.

Group	Financial institutions £'000	Corporate clients £'000	Individuals £'000	Total £'000
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
At 30 June 2009				
Trade receivables	5,712	-	50,520	56,232
Other receivables	289	-	-	289
Prepayments and accrued income	10,854	1,615	1,877	14,346
Held for trading assets	717	-	-	717
Available-for-sale assets	1,665	-	-	1,665
	19,237	1,615	52,397	73,249

Notes to the Financial Statements (continued)

28. Financial instruments (continued)

Capital management

Capital is defined as the total of share capital, share premium, retained earnings and other reserves. Total capital at 30 June 2010 was £66,053,000 (2009: £84,650,000) 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.h-l.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 £42 million at 30 June 2010 (2009: £34 million). Capital adequacy and the use of regulatory capital are monitored by the Group's management.

Directors, Company Secretary, Advisors and Shareholder Information

EXECUTIVE DIRECTORS

Ian Gorham
Peter Hargreaves
Tracey Taylor

NON-EXECUTIVE DIRECTORS

Chris Barling
Jonathan Bloomer
Jonathan Davis
Michael Evans
Stephen Lansdown

COMPANY SECRETARY

Judy Matthews

AUDITORS

Deloitte LLP, Bristol

SOLICITORS

Burges Salmon LLP, Bristol

PRINCIPAL BANKERS

Lloyds TSB Bank plc, Bristol

BROKERS

Citigroup Global Markets Limited
Numis Securities Limited

REGISTRARS

Equiniti Limited

REGISTERED OFFICE

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COMPANY NUMBER

02122142

Five Year Summary

	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000
Revenue	158,970	132,845	120,332	98,769	73,460
Administrative expenses	(73,588)	(63,038)	(62,553)	(58,098)	(49,190)
Underlying operating profit	85,382	69,807	57,779	40,671	24,270
Exceptional administrative expenses	-	-	-	(29,628)	(19,627)
Operating profit	85,382	69,807	57,779	11,043	4,643
Investment revenue	854	2,534	3,113	1,430	2,919
Other gains and losses	59	740	53	11,917	35
Profit before tax	86,295	73,081	60,945	24,390	7,597
Tax	(25,020)	(20,968)	(18,551)	(7,435)	(1,584)
Profit after tax	61,275	52,113	42,394	16,955	6,013
Equity minority interests	(9)	10	7	-	-
Profit for the financial year attributable to members of the parent company	61,266	52,123	42,401	16,955	6,013
Equity shareholders' funds	66,114	84,720	70,371	44,495	17,469
Weighted average number of shares for the purposes of diluted EPS (million)	468.42	469.32	470.98	474.32	474.32
	pence	pence	pence	pence	pence
Equity dividends per share paid during year	16.636	7.809	3.065	3.000	1.810
Basic earnings per share	13.2	11.2	9.1	3.6	1.4
Diluted earnings per share	13.1	11.1	9.0	3.6	1.3
Adjusted basic earnings per share	14.0	11.3	9.1	6.5	4.5
Adjusted diluted earnings per share	13.9	11.3	9.0	6.4	4.2

