Hargreaves Lansdown plc

Report and Financial Statements

for the year ended 30 June 2009

Registered number: 02122142

HARGREAVES LANSDOWN

Contents

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, a high retention of clients 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

- Revenue increased by **10%** to £132.8m (2008: £120.3m)
- Profit before tax increased by **20%** to £73.1m (2008: £60.9m)
- Underlying diluted earnings per share* increased by **22%** to 11.0 pence (2008: 9.0p)
- Assets under administration increased by **7%** to £11.9bn (2008: £11.1bn) despite a 24% decline in the FTSE All-Share index
- Total dividend payout for the year increased by **29%** to 10.101 pence (2008: 7.809p) per share **

(*) Underlying EPS based upon underlying earnings before investment gains, and the weighted average fully diluted share capital

(**) Comprising 3.065 pence interim dividend, 4.229 pence proposed final dividend and 2.807 pence proposed special dividend

Highlights

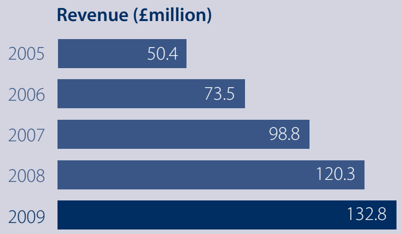
We have had another strong year of financial performance. Revenue was £132.8 million and profit before tax increased by 20% to £73.1 million. Underlying diluted earnings per share and dividends per share were higher by 22% and 29% respectively.

	2009	2008	Movement
Revenue	£132.8m	£120.3m	+10%
Proportion of recurring revenue	70%	72%	-2pts
Operating profit margin	52.5%	48.0%	+4.5pts
Profit before tax	£73.1m	£60.9m	+20%
Total assets under administration	£11.9bn	£11.1bn	+7%
Underlying diluted earnings per share (*)	11.0p	9.0p	+22%

(*) Based upon earnings before any investment gains, and the weighted average fully diluted share capital

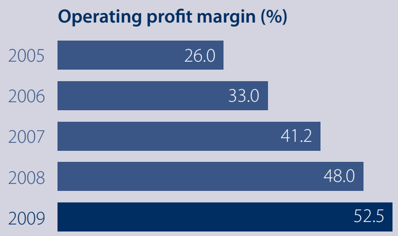
10% increase in revenue:

Revenue increased by 10% to £132.8 million. The growth is attributed to an increase in revenue of £12.7 million in the Vantage division resulting from improved revenue margins, increased assets under administration and a full year's revenue on assets secured in the previous year. The proportion of recurring revenue i.e. management fees, renewal commission and interest, remained high at 70% (2008: 72%).



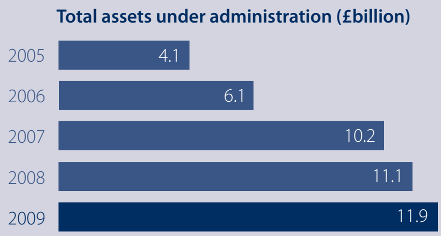
Operating profit margin of 52.5%:

Costs have been well controlled during the year. The Group's operating margin has increased to 52.5%. The increase resulted from 10% revenue growth coupled with an increase to operating costs of just 1%.



£11.9 billion total assets under administration:

The 7% growth in asset values is attributable to strong new business volumes which more than offset the significant market decline. There was a 24% fall in the FTSE All-Share index during the year.

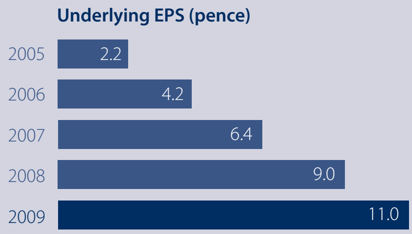


22% increase in underlying diluted EPS:

from 9.0 pence to 11.0 pence

29% increase to total dividend payout:

from 7.809 pence to 10.101 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 supermarket 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.

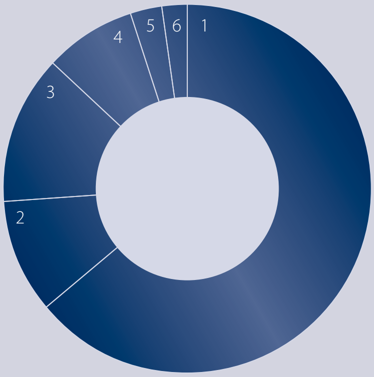
The Group also provides investment management, independent financial advisory and stockbroking services to private investors and advisory services to companies in respect of group pension schemes.

Revenue contribution

We have five main operating divisions:

Vantage
Advisory
Third Party
Discretionary
Stockbroking

in addition to our Central Support Services division .



[1]Vantage - 64%
[2]Advisory - 10%
[3]Third Party - 13%
[4]Discretionary - 8%
[5]Stockbroking - 3%
[6]Central Services - 2%

Assets under administration at 30 June 2009

£11.9bn

(2008: £11.1bn)

Profit before tax for the year to 30 June 2009

£73.1m

(2008: £60.9m)

Revenue for the year to 30 June 2009

£132.8m

(2008: £120.3m)

Employees (excluding directors) at 30 June 2009

589

(2008: 639)

Offices - Bristol, also satellite office in London, and financial advisors throughout the UK.
Website - www.H-L.co.uk

Recent awards

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

2007/2008

- **Most Effective Employer and Advisor Partnership Award** - Employee Benefits
- **Best Investment Manager** - FT and Investors Chronicle Wealth Management Awards
- **IFA Personality of the Year** - Investment Week Fund Manager of the Year Awards 2008 - Mark Dampier

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 strive to make Hargreaves Lansdown the best and most profitable in all the areas in which it operates.
- 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 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 supermarket 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 to improve earnings quality within the business;
- Heightening the visibility of the Hargreaves Lansdown brand;
- 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;
- Increasing operational efficiency and maintaining rigorous cost control;
- Managing risk effectively; and
- Providing independent, clear information, or advice if preferred, so that people can identify their financial priorities and choose appropriate products and solutions.

Chairman's Statement

I am pleased to report that the Group has had another successful year which is very satisfying in view of the adverse market conditions.

"Everything we do would not be possible without the hard work of all our staff and I should like to pay special tribute to them. Without their efforts we would be unable to produce such a performance."

The Board is proposing a final ordinary dividend of 4.229 pence (2008: 2.42p) and a special dividend of 2.807 pence (2008: 2.324p)

Dividends per share

Total dividends have increased by 29%

2009: 10.101 pence
2008: 7.809 pence

Profit before tax increased by 20% from £60.9 million to £73.1 million, and turnover increased by 10% from £120.3 million to £132.8 million. Our percentage of revenue which is recurring in nature (i.e. renewal commission, management fees and interest) fell slightly to 70% compared to 72% for the previous year due in part to the record volume of stockbroking deals handled during the second half of the financial year which increased the level of transactional (non-recurring) income.

Operating costs were well controlled allowing our operating profit margin to increase from 48.0% to 52.5%. Underlying diluted earnings per share have risen by 22% to 11.0 pence compared to 9.0 pence for 2008.

During the year our assets under administration increased from £11.1 billion to £11.9 billion. This includes £1.4 billion of assets under our own management.

Total assets under administration increased by 7% in comparison to a decline in the FTSE All-Share index of 24%.

Dividend

The performance of the Group has allowed us to propose a final ordinary dividend of 4.229 pence per share increasing the total ordinary dividends up to 7.294 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 2.807 pence per share. This equates to a further 25% of post tax profits taking the total dividend payout for the year to 10.101 pence per share. We remind shareholders that any special dividend in future years will depend upon our future cash requirements and therefore will vary.

Staff

The culture of Hargreaves Lansdown is to provide our clients with the best information, the best service and the best prices. This has borne fruit and we continue to attract new clients and retain existing clients. Everything we do would not be possible without the hard work of all our staff and I should like to pay special tribute to them. Without their efforts we would be unable to produce such a performance.

Board Changes

Since flotation, to comply with the Combined Code of Corporate Governance I have worked towards separating my Chairman's duties with my Executive responsibilities and therefore will be stepping down as Executive Chairman of the Group at the Annual General Meeting (AGM), with effect from 1 December 2009. I shall however remain on the Board as an Executive Director.

Mike Evans, who has served enthusiastically as a Non-Executive Director for the Group for the last three years, has agreed to seek election at the AGM as Non-Executive Chairman with effect from 1 December 2009. His knowledge and experience have proven invaluable to the Board. This should stand him in good stead to develop the Chairman's role.

Tracey Taylor was appointed as Group Finance Director on 24 November 2008 having previously been Group Accounting Director and a member of the Executive Committee. Tracey who has been with us for ten years has stepped seamlessly into the role justifying our policy of promoting internally.

During September 2009, Jonathan Bloomer will come to the end of his three year term as Senior Independent Non-Executive Director, and I am pleased to report that he has showed a willingness to continue in this role for a further three years and will seek re-election at the 2009 AGM.

Executive Management Team Changes

My congratulations go to Ian Hunter (Investment Marketing Director) and Nick Marson (Vantage and Broking Operations Director) on their appointments which took effect from 1 July 2009. Both Ian and Nick have been with the Group for twelve years having developed their expertise and knowledge during that time.

We recognise that not all appointments can be made internally and welcome Ian Gorham to the Group as Chief Operating Officer with effect from 1 September 2009. Ian joins us from Grant Thornton UK LLP where he was a partner and head of the firm's Financial Services Group having built this up over a period of six years. Prior to this he ran the Regulatory Practice in the South West for a major consultancy. We all look forward to working with Ian and benefiting from his knowledge of the financial services market.

Regulation

Further details of the much awaited Retail Distribution Review were issued by the Financial Services Authority in June 2009. As with all reviews there are still areas to be clarified but we are delighted that in the main it has vindicated our business model as the one the whole industry should follow. We do not feel there are any areas of the review which cause ourselves any major issues and we look forward to continuing to work with our regulators to improve the standards within our industry.

Offices

On 22 July 2009 we signed the lease for the occupation of our offices at One College Square, Bristol (Harbourside). The signing of the lease signalled the start of the fit-out works and although we have set a very tight timetable we still anticipate being in occupation by the end of January 2010.

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 with strength of purpose 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 development of our Board, Executive Committee and subsidiary Boards illustrates the strength and depth of the management team and our desire to develop the Group as a public listed company.

Stephen Lansdown
Chairman
22 September 2009

Chief Executive's Statement

We are pleased to present our final results for the year ended 30 June 2009.

These figures should be reviewed in the light of the economic background. Within this accounting period the UK financial system was close to breaking point, a situation which resulted in the loss of public confidence in all parts of the financial sector. Investment businesses suffer during any inclement investment climate. Similarly these conditions destroy investor confidence. The FTSE 100 Index at the financial year end, 30 June 2009, was approximately 40% lower than its peak at the beginning of the millennium 9½ years prior. A bear market not experienced since the 1930s.

The FTSE All-Share Index is probably the most representative of the assets that we hold, and that index was some 24% lower at the year end than it had been at the start of our financial year. This has a seriously deleterious effect on the assets on which we derive much of our earnings. This was on the back of a decrease in the All-Share Index of 16% in the previous year ended 30 June 2008. It was difficult to find anywhere where investors could have made money during the accounting period under review, other than gilts and overseas government bonds (where on the back of sterling's decline UK investors enjoyed a currency bonus too). Fortunately our clients had negligible exposure to property, which on the whole would have done worse than almost any equity investments during that period. When you judge our trading results in this light we can justly claim to be proud of our performance.

Outlook and Strategy

Twelve months ago we felt the outlook for markets was gloomy and from the current levels things don't look much better today. The only certainty is that we must be twelve months nearer the revival of markets than we were a year ago. We think investors are shell-shocked and most believe they already have enough invested to benefit if this market rally is sustained.

Our strategy will therefore be no different than it has been for most of this decade. Rather than solely asking our clients to commit new money we are continuing to encourage existing clients to transfer the remainder of their assets into Vantage (Vantage is our investment platform which holds and values clients' investments giving them a first class administration system for managing their portfolios) and to find new clients who will transfer their existing investments into Vantage. Investors can transfer their ISAs, SIPPs and investments held outside those tax wrappers.

One material loss of income will be the return we make on cash balances. This was tailing off during the financial year under review but the current financial year will bear the brunt of this loss of revenue.

A positive point is that low interest rates are also causing savers to consider other homes for their deposits which should eventually benefit us. Similarly the population has once again become a net saver. Initially this will manifest itself in paying down debt but will eventually result in investment.

The economic climate will affect all parts of our business. However as more and more investment advisory businesses cease to trade or fail to service their clients properly, we benefit as investors seek our services. We believe that this is resulting in us improving our market share. Internally the ideas flow has not subsided and our team remains enthusiastic and motivated. We should be able to capitalise on the malaise within most of our competitors. It is interesting to note that a major source of leads for new clients is the result of referrals from existing clients. Many businesses in our sphere view the Retail Distribution Review (RDR) as a threat on the horizon. We count ourselves fortunate that we could comply with most of the provisions of the RDR immediately, and the few exceptions without much effort or cost. We are therefore positive and believe that when the confidence in the markets becomes more sustained, we are as well placed as any business in our sphere and considerably better positioned than the majority.

Summary

A significant portion of our earnings is based on the value of our clients' investments at the end of each month. On these dates in the year under review the average level of the FTSE 100 was approximately 4490. Currently the index stands at 5134 (as at 21 / 09 / 09). Should the market remain at these levels or improve this will go some way towards offsetting our reduced return on cash deposits.

We continue to capture market share and we are well positioned for the RDR. We have been vigilant in containing recurring costs and my team are still showing the innovative flair they have exhibited over the years. We are seeing definite signs that the citizens of the UK have a more positive attitude towards saving. We are a market leader in ISAs, and the increased ISA allowance will certainly benefit the group.

The year ahead will be a challenging one but I have every confidence that the directors and staff of Hargreaves Lansdown will be more than up to that challenge.

Peter Hargreaves
Chief Executive Officer
22 September 2009

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 2009 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.

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

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 supermarket 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.

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 believe that this business model, together with our significant purchasing power, enables us to retain a greater share of the annual management charge, also known as renewal commission, from fund providers than we would through acting solely as a fund distributor or a fund platform provider.

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
- relocation of our staff into a single location during the 2010 financial year

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 fund supermarket and wrap platform for the private investor 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	2009	2008	
Growing the value of assets under administration and management	Total assets under administration	£11.9bn	£11.1bn	+7%
	FTSE All-Share index[(1)]	2172.08	2855.69	-24%
Improving earnings quality	Percentage of recurring revenue [(2)]	70%	72%	-2pts
	Proportion of assets earning recurring revenue [(3)]	86%	88%	-2pts
Generating growth in Vantage	Number of active Vantage clients [(4)]	276,000	245,000	+13%
Maintaining tight cost control and operational efficiency	% operating profit margin [(5)]	52.5%	48.0%	+4.5pts
Shareholder value and superior financial performance	Underlying diluted earnings per share [(6)]	11.0p	9.0p	+22%

Notes:
1. The closing values as at 30 June 2009 and 30 June 2008, sourced from ProQuote.
2. Total value of renewal commission, management fees and interest earned on client money, as a percentage of total revenue.
3. Percentage of assets either held in an account which generates a fixed management fee or held in an account which generates management fees, renewal commission or interest proportionate to the value of assets held.
4. Unique number of clients holding at least one Vantage account (ISA, SIPP or Fund and Share Account) with a value greater than £100 at the year end.
5. Operating profit (before investment gains) divided by revenue.
6. Based upon earnings (before investment gains), 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 2009 the value of total assets under administration grew by 7% during the period, from £11.1 billion to £11.9 billion. This is largely made up of £10.7 billion (2008: £10.0 billion) of assets held within the Vantage service, with the remainder being assets held within the Portfolio Management Service and other nominee portfolios. The 7% (2008: 9%) growth in asset values was attributable to strong new business volumes, partially offset by significant market decline. During the 2009 financial year, the FTSE All-Share index fell by 24% (2008: 16%) and has on average been 28% (2008: 1%) 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 26%.

As at 30 June 2009, the value of the Vantage ISA was £4.7 billion, (30 June 2008: £5.0 billion), the Vantage SIPP was £2.9 billion (30 June 2008: £2.3 billion) and the Vantage Fund and Share Account was £3.1 billion (30 June 2008: £2.7 billion).

Total assets under administration can be broken down as follows:	At 30 June 2009 £'billion	At 30 June 2008 £'billion
Assets Under Administration "AUA"		
- Vantage	10.7	10.0
- Other	0.2	0.2
AUA Total	10.9	10.2
Assets Under Administration and Management "AUM"		
- Portfolio Management Service (PMS)	1.0	0.9
- Multi-manager funds outside of PMS	0.4	0.4
AUM Total	1.4	1.4
Less: Multi-manager funds included in both AUA and AUM	(0.4)	(0.4)
Total Assets Under Administration	11.9	11.1

Operating and Financial Review

The £0.7 billion (2008: £0.9 billion) increase in Vantage assets from £10.0 billion to £10.7 billion can be attributed to £1.8 billion of net new business inflows (2008: £2.3 billion), other positive growth factors with a value of £0.1 billion, such as retained investment income and £1.2 billion of market decline (net of interest credited to clients on cash balances) compared to £1.5 billion of market decline in 2008.

Vantage clients increased their cash weightings during the period, peaking at around 19% of assets during November 2008 and again just prior to the end of the tax year. The composition of assets across the whole of Vantage changed during the period. As at 30 June 2009, Vantage assets were held 25% as equities (30 June 2008: 23%), 59% as funds (30 June 2008: 63%) and 16% as cash (30 June 2008: 14%).

The value of assets managed by Hargreaves Lansdown through its own range of multi-manager funds and PMS remained at £1.4 billion as at 30 June 2009 (2008: £1.4 billion). Of these assets under management, £0.4 billion were held within Vantage as at 30 June 2009 (2008: £0.4 billion). The negative impact of the market during the period is offset by £0.2 billion of net new business which predominantly relates to the Portfolio Management Service.

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 fell by 24% during the year ended 30 June 2009, from 2855.69 to 2172.08, compounding the 16% fall during the 2008 financial year. On average the FTSE All-Share index has been 28% lower than during the 2008 financial year. The effect of the turbulent market during the year was more than offset by net new business to give the 7% growth to total AUA.

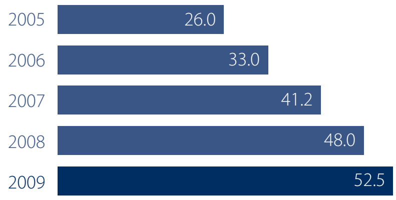
The importance of AUA is that they produce a recurring revenue stream made up of renewal commission, management fees and interest. The **percentage of recurring revenue** attributable to these 'quality earnings' fell from 72% in 2008 to 70% in 2009 due in part to the record volume of stockbroking deals handled during the second half of the financial year which increased the level of transactional (non-recurring) income. The value of recurring revenues increased by 7% from £87.1 million to £93.2 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 decreased from 88% in 2008 to 86% in 2009. 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 38% higher, with a value of £0.70 billion on the platform compared to an opening value of £0.55 billion.

The indicators mentioned 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 2009, the number has increased by 13% (2008: 12%).

The **operating profit margin** is another key financial indicator, increasing from 48.0% to 52.5%. The chart depicts how the margin has grown significantly year-on-year since 2005.

Operating profit margin (%)



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

We consider the **underlying diluted earnings per share** figure, adjusted to exclude the impact of investment gains, to be the most appropriate measure of performance. This increased by 22% in the year from 9.0 pence to 11.0 pence.

Operating and Financial Review

Financial Review

	2009 £'million	2008 £'million
Revenue	132.8	120.3
Administrative expenses	(63.0)	(62.6)
Operating profit	69.8	57.7
Non operating income	3.3	3.2
Profit before taxation	73.1	60.9
Taxation	(21.0)	(18.5)
Profit after taxation	52.1	42.4

The economic and market downturn has affected key revenue drivers such as the value of assets under administration and income dependent on interest rates.

Notwithstanding the significant market decreases, the Group has increased revenue by £12.5 million or 10%, to £132.8 million in the year ended 30 June 2009, compared to £120.3 million for the year ended 30 June 2008. This was driven by a growth in revenue of £12.7 million within the Vantage division, together with a £1.7 million increase to revenue in the Third Party division.

The Group's operating profit increased by 21% to £69.8 million in 2009 compared to £57.7 million for 2008. The Group's operating profit margin increased from 48.0% to 52.5%. The increase resulted from 10% revenue growth, coupled with tight cost management resulting in an increase to operating costs of just 1%. During the year the Group incurred £1.25 million of costs relating to the forthcoming move to the new office which is due to take place in January 2010.

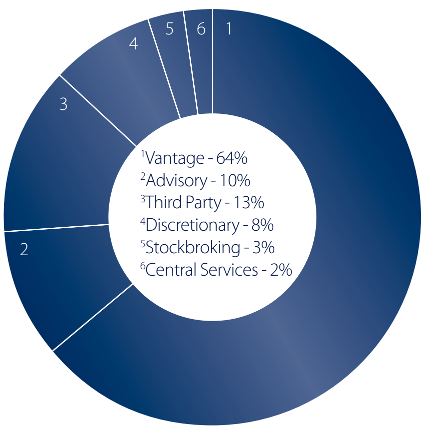
There were £3.3 million of investment revenue and other gains during the year compared to £3.2 million in the year ended 30 June 2008. The higher value in the current year is predominantly due to additional deferred consideration on the disposal of a fixed asset investment during an earlier year which resulted in net gains of £0.7 million. This additional investment gain was partly offset by a drop in investment revenues from £3.1 million in 2008 to £2.5 million in 2009, arising from interest on the Group's cash balances. Although the Group's own cash balances were maintained at higher levels than the previous year, they generated lower income due to the fall in interest rates.

The Group's reported profit before tax increased to £73.1 million, compared to £60.9 million in the previous year. The effective tax rate for the Group this year was 28.7% which has resulted in a reported profit after tax for the year of £52.1 million, compared to £42.4 million for the previous year.

Revenue by division

	Year Ended 30 June 2009 £'million	Year Ended 30 June 2008 £'million
Vantage	84.9	72.2
Advisory	13.2	14.8
Discretionary	10.1	10.3
Third Party	18.0	16.3
Stockbroking	4.4	4.9
Central services	2.2	1.8
	132.8	120.3

Revenue contribution by division 2009



The Group is currently organised into five core operating divisions, based around products and services. The directors do not believe that it is appropriate to apply segmental reporting to these divisions for the reasons set out in note 5 to the financial statements. This analysis of revenue by division has been provided as additional information to shareholders to assess the position and potential of the Group.

The Vantage division increased its revenues by £12.7 million, from £72.2 million to £84.9 million. This resulted from growth in assets under administration from £10.0 billion to £10.7 billion, the impact of a full year's income on assets acquired during the previous year and improved revenue margins. The overall average monthly revenue margin within Vantage increased from 74bps p.a. in 2008 to 90bps p.a. in 2009, as a result of the exceptional interest rate environment and increased proportion of client assets held as cash, and record volumes of equity dealing particularly in the second half of the year.

Increased interest returns on cash were achieved during the first half of the financial year due predominantly to the divergence between base rate and LIBOR. The increased margin has been gradually unwinding during the second half of the financial year, and this is likely to reduce further during the 2010 financial year as LIBOR continues to fall. The increased interest rates obtained by the Group have been passed on to clients in the form of high interest cash offers available to clients during the year in addition to improving the margin in the Vantage division, assisting with the retention of AUA. During the year clients cumulatively placed over £0.5 billion of cash within our various high interest cash offerings.

Revenues from the Advisory business decreased by £1.6 million, from £14.8 million to £13.2 million. In addition to initial and renewal commission earned on the distribution of third party investments, this division earns initial charges and annual management fees on assets introduced into the Group's Portfolio Management Service (PMS). The value of assets managed in PMS increased by 6% from £929 million to £982 million. This growth can be attributed to high inflows of £201 million, offset by market decline. The sole distribution of PMS is through the Group's team of advisors. The number of advisors decreased from 86 at the start of the year to 75 by 30 June 2009, including 10 advisors allocated to the division's telephone advice service. The proportion of PMS assets invested in Hargreaves Lansdown multi-manager funds has increased during the year following the launch of the HL Strategic Bond Fund in February 2009. As at 30 June 2009, 89% of PMS assets were invested in Hargreaves Lansdown multi-manager funds (2008: 63%).

The multi-manager funds maintained exposure to equities and corporate bonds during the year, and the volatility of these markets have had a negative effect on the assets under management. The Group's investment strategy has proved beneficial in the longer term with two of the Group's fund of funds performing above their IMA sector average since launch. Performance over the short term has picked up encouragingly and three of the funds performed above their sector average over the first half of the 2009 calendar year. Throughout most of the year the Group operated four multi-manager funds, a fifth fund, the HL Strategic Multi Manager Bond Fund, was launched in February 2009 and as such it is too soon for performance comparisons.

The Discretionary division earns renewal commission on underlying investments held in PMS, including the value of PMS investments in the Group's multi-manager funds. The multi-manager funds charge 1% annually on the value of funds under management, which is recognised in the Discretionary division net of the renewal commission paid to PMS and Vantage. Revenues in the discretionary division fell slightly from £10.3 million to £10.1 million. The value of Hargreaves Lansdown's multi-manager funds increased from £1.0 billion to £1.3 billion between 30 June 2008 and 30 June 2009. As at 30 June 2009, 68% of these were held within PMS, 31% were held within Vantage and the remainder were held directly.

Hargreaves Lansdown's Third Party business comprises those investment products which are sold by the Group but not held in Vantage or other Group nominee accounts. These include corporate pensions, personal pensions, annuities, third party investment products and venture capital trusts. The divisions handling Third Party business saw a rise in revenues overall of 10%, from £16.3 million to £18.0 million. Of the £1.7 million increase, £2.3 million can be attributed to an increase in corporate pension revenue, £1.0 million to an increase in personal pensions revenue and £1.6 million to a fall in third party investment revenues.

The £2.3 million growth in revenue within the Corporate Solutions business results from an increase in activity within existing Group Personal Pension (GPP) schemes and new schemes implemented in the year. Takeover activity within two existing GPP schemes alone accounts for a significant proportion of the increase to revenue. The division continues to focus its marketing efforts to raise awareness of the Hargreaves Lansdown Group SIPP. Over time, the management expects a transition in corporate pensions from its traditional initial commission model to a Group SIPP fund based income model. This is very much in line with the Group's focus on maximising 'quality' recurring revenues.

As expected, revenue from the Third Party Investments business continues to decline as more clients choose to transfer their investments onto the Vantage platform. Revenue has fallen significantly from £5.6 million in 2008 to £4.0 million, exacerbated by the fall in asset values as a result of the market downturn.

Strong annuity rates, successful marketing and ease of execution through our website have again resulted in strong sales in annuities which has increased revenues from the Personal Pensions business to £4.8 million (2008: £3.8 million).

The Stockbroking division provides broking services which include CFDs, spread betting, currency services and certificated dealing. The division experienced a decline in revenue of 10%, from £4.9 million to £4.4 million. As with the previous year, this can primarily be attributed to a higher proportion of equity trades executed through Vantage and a higher proportion of trades being placed online, attracting a lower commission rate. During 2008 clients were encouraged to transfer their shares into the Vantage nominee service and accordingly income within the Stockbroking division decreased in favour of additional income within Vantage, and this effect has continued throughout 2009.

Administrative expenses

	Year Ended 30 June 2009 £'million	Year Ended 30 June 2008 £'million
Staff costs	37.2	36.5
Commission payable	8.3	10.2
Marketing costs	6.0	6.2
Depreciation, amortisation and financial costs	1.9	1.4
Other costs	9.6	8.3
	63.0	62.6

In response to the market downturn, the Group had an early and strong focus on delivering efficiencies and controlling costs. As a result, administrative expenses increased by just 1% from £62.6 million to £63.0 million.

The Group's largest cost remains staff costs, which represents 59% of administrative expenses (2008: 58%) and increased by 2%. The number of staff (including directors) employed at 30 June 2009 was 599, and the average number of staff during year was 607, a decrease of 8% against an average of 657 for the comparative year. The decrease in staff numbers results mainly from a reduction to the number of seasonal staff retained and through filling vacancies internally rather than by external recruitment.

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 decreased by 19%, from £10.2 million to £8.3 million, in line with the fall in value of the related client assets.

Group marketing spend decreased by 3%, from £6.2 million to £6.0 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. However the increase has been more than offset by an increased proportion of client marketing taking place online or via email compared to postal campaigns, and lower advertising rates, and this has contributed to an overall decrease in marketing costs. During the year under review we introduced 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. The financial benefit of these changes is already materialising and the savings will continue to grow as more people and businesses choose to transact business and receive information online.

The capital expenditure of the business remains fairly low. Accordingly, the charge for depreciation, amortisation and financial costs for the year was not significant at £1.9 million, increasing from £1.4 million in 2008. The increase is predominantly an increase in depreciation.

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 16% from £8.3 million to £9.6 million, and includes £1.4 million of professional fees relating to the Group's relocation to new offices during 2010.

Non operating income

Investment revenues increased from £3.2 million to £3.3 million. There was one investment disposal gain of £0.7 million during the year relating to an earnout on the disposal of an investment during an earlier year. This additional income was partly offset by a drop in investment revenues from £3.1 million in 2008 to £2.5 million in 2009, arising from interest on the Group's cash balances which although were maintained at higher levels than the previous year generated lower income due to the fall in interest rates.

Taxation

Taxation increased from £18.5 million to £21.0 million. The higher charge can be attributed to an increase in pre-tax profits, whilst the effective tax rate has reduced to around 28.7% in line with the standard rate of taxation.

Earnings per share (EPS)

The basic diluted EPS increased from 9.0 pence to 11.1 pence. Underlying diluted EPS increased by 22%, from 9.0 pence to 11.0 pence. This is calculated as the earnings for the year, adjusted to exclude the net effect of investment gains, 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 2009, 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 4.229 pence per ordinary share and a special dividend of 2.807 pence per ordinary share, payable on 30 September 2009 to all shareholders on the register at the close of business on 11 September 2009. When added to the interim dividend of 3.065 pence per share, this brings the total dividends in respect of the year to 10.101 pence per ordinary share (2008: 7.809p).

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

Cash flow and capital expenditure

Capital expenditure remained relatively low, increasing from £1.1 million to £1.6 million, the majority of which related to IT infrastructure and software.

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 £87.4 million reported in the balance sheet includes £10.2 million of client settlement account balances. The Group's own cash balances increased from £64.5 million to £77.2 million during the year. This includes cash held within the EBT which has decreased from £10.9 million as at 30 June 2008 to £6.8 million at 30 June 2009 following the purchase of additional Hargreaves Lansdown plc shares during the year.

Net assets, capital requirement and treasury policy

Group net assets increased from £70.31 million to £84.65 million.

The Group has four subsidiary companies which are authorised and regulated by the Financial Services Authority. These firms maintain capital resources at a level which satisfies both their regulatory capital requirements as well as their working capital requirements. As at 30 June 2009, the aggregated Pillar 1 regulatory capital requirement across the four regulated subsidiary companies was approximately £7 million compared to capital resources of approximately £41 million, which resulted in a surplus of approximately £34 million.

The Group has no borrowings and deposits its liquid funds with selected financial institutions with high credit ratings. In 2009, 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 continue to make further improvements to our services and our underlying infrastructure. We added a number of new facilities and services to our website including the ability to set up and amend regular savings plans, and the provision of electronic investment reports and contract notes. The development of our website is a key part of our strategy and we continue to see the benefits of higher volumes of business being transacted online.

We have a continuing programme of work to further improve the performance and resilience of our systems and infrastructure. Implementation of a number of improvements to increase efficiency, improve security and reduce risk have taken place during the year. However, certain changes have been delayed until the 2010 financial year to coincide with the re-location of the business planned for January 2010. The re-location affords many opportunities, particularly in terms of re-structuring our network and enhancing our business continuity arrangements.

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 and do not expect any significant increase to our regulatory capital requirements, against which we already maintain a healthy surplus.

Staff

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

More staff became shareholders during the year through a maturing SAYE scheme. During October 2008 we also granted new options under this 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 from our current locations into a single building will improve communication even further and ensure that we maintain the dynamic culture that has been crucial to the Group's success.

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 2008 Annual Report have materialised, such as market volatility. We have not been immune from the current economic climate and market downturn. A significant part of Group revenue is based on the value of client investments, and those have declined in value during the year. The high percentage of assets in tax wrappers and a cash option on our platform have reduced the impact of the current market turbulence on our performance. However, when investor confidence is low there is an increased risk that the value of assets being withdrawn from our platform will rise, although we have not experienced this during the year.

Market volatility and a consequent drop in the performance of our in-house managed funds remain as risks in the current economic climate. The exceptional interest rate environment during the year, in particular the divergence of LIBOR and base rate during the first half of the financial year, has benefited the Group. However, the continued low interest rates create the risk of a decline in earnings due to a decline in interest turn.

The difficulties seen in the banking sector led us to explicitly 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 banks which have strong credit ratings and participate in the UK Government Credit Guarantee Scheme. 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.

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.	• Focus on recurring revenue streams over the more volatile transaction-based alternative. • High proportion of assets under administration in tax wrappers so clients less likely to withdraw funds and lose tax benefits. • Cash option enables clients to shelter from market volatility.
Changing markets and increased competition	The Group operates in a highly competitive environment with developing demographic trends and our continued profitability depends on our ability to respond to these pressures and trends.	• Strong market position with pricing power. • Full control over 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.	• 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.	• 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.	• The government is more likely to encourage savings in order to plan for an ageing population, which is currently under-provided for.
Damage to the Group's reputation	There is a risk of reputational damage through the actions of unassociated third parties such as the set-up of a copycat website to fraudulently obtain funds from our clients.	• Clients educated to improve awareness of potential 'boiler room' and other online scams. • Hargreaves Lansdown security procedures are well communicated to clients so they are more likely to question anything out of the ordinary.

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.	• High level of resilience built into daily operations. • IT performance, scalability and security are deemed top priorities by the Board. • Large, experienced in-house team of IT professionals and established name suppliers. • Internal procedures marked 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.	• 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 including as a result of employee misconduct, failure to manage inside information or conflicts of interest, fraud or improper practice.	• High level of internal controls including checks on new staff. • Well trained staff. • Strong compliance culture.

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.	• 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. • Two year lock up on shares held by several directors and senior management.
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.	• High levels of PI 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.	• 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.	• 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.	• 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. • 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.	• 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.	• Only use banks with strong credit rating where we do not believe the government would allow them to fail. • Deposits spread across multiple 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.	• 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.

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 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. When we move to our newly built premises in 2010 we will introduce 'chilled beam' air conditioning, which is up to 60% more energy efficient and intend to utilise 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 have also chosen to support a local community initiative. The Board have agreed 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 proud to support Bristol's Under Privileged Children's Charity, and our fund raising initiatives have been focused on this charity.

Future Outlook

During the 2009 financial year, the credit crisis turned into a financial and economic crisis. Several banks have experienced financial difficulty. Asset values have seen dramatic falls. Throughout the crisis, our clients have been able to rely on our assistance and continued supply of relevant information. The Group has displayed resilience in these difficult market conditions, although there has been an inevitable impact on the value of client assets under administration due to the market downturn. As other investment advisory businesses cease to trade or fail to service their clients properly we will benefit as investors seek our services. As always, our ability to gather assets and attract clients will depend on the severity and duration of market fluctuations. Although we expect trading conditions to remain challenging over the next twelve months, 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.

In his statement, the Chief Executive outlined some of the current challenges facing the business, such as the low interest rate environment, the economic climate and market volatility. The current low interest rates are likely to lead to a material loss of income in the 2010 financial year, although the improved market levels seen during July and August 2009 will go some way towards offsetting this.

The Board has reviewed the Group's strategy and has concluded that in the current uncertain climate it still remains the right approach. We will focus on exploiting opportunities with the aim of replacing the lost income resulting from lower interest rates and continuing to grow the business. Opportunities include the increased ISA allowance, new fund launches, the eligibility of protected rights monies into our SIPP, the prospect of investors becoming more cost-sensitive and looking to reorganise their portfolios by transferring into Vantage, and an increase in demand for our advisory services, as investors seek guidance through the current market uncertainty.

Resilient systems, a focus on providing clients with a high-quality and low cost service, and the adherence to cautious risk policies are at the core of the Group's approach. 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 client satisfaction, help maintain existing business and attract new business and so will enhance long term value for shareholders.

Tracey Taylor
Group Finance Director
22 September 2009

Management Team

Members of the Board:

The following directors have served during the year:

Non-Executive Directors:

Jonathan Bloomer -
Senior 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 Director.
Michael became a Non-Executive Director of the Company in September 2006. Michael is a qualified actuary with 27 years' industry experience. He is Non-Executive Chairman of the Unitholders' Advisory Committee of the ING Real Estate Select Global Osiris Fund and also Non-Executive Chairman of the Manager's Advisory Committee of the ING Real Estate Income Trust Limited and 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 -
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 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 Ltd.

Executive Directors:

Stephen Lansdown FCA, FSI -
Chairman.
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, MSI -
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 Chairman of ITM Power plc and is a Member of the Securities & Investment Institute.

Tracey Taylor FCCA, MSI -
Group Finance Director.
Tracey joined Hargreaves Lansdown in 1999. In 2001, Tracey was appointed to the role of Company Secretary and in 2006 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. Prior to joining Hargreaves Lansdown she qualified as an accountant. Tracey holds an MSc in Finance and is also a Member of the Securities & Investment Institute (MSI).

Martin Mulligan, formerly a member of the Board and Executive Committee, resigned as Group Finance Director on 21 November 2008.

Members of the Executive Committee:

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
Vantage and 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 took over responsibility for all Vantage operations in 2003.

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) as well as the Hargreaves Lansdown website. Since October 2008 Alex has also been responsible for IT and Systems. 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.

Lee Gardhouse -
Investment Director
Hargreaves Lansdown Fund Managers Ltd.
Lee graduated from Liverpool John Moores University with a BA in Economics. Lee joined Hargreaves Lansdown as a trainee fund manager in 1995. He took responsibility for the Hargreaves Lansdown multi-manager fund range in 2001, and manages the Portfolio Management Service. He was appointed Investment Director of Hargreaves Lansdown Fund Managers in 2006 and was appointed to the Executive Committee in 2008.

Peter Hargreaves, Stephen Lansdown and Tracey Taylor are also members of the Executive Committee.

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 2009.

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 supermarket 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 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 the factors likely to affect its future development, performance and position are set out in the Chairman's and Chief Executive's Report 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 35 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 2010 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 operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Financial Statements.

Post balance sheet events

On 22 July 2009 the Company signed the lease for the Group's new head office. Further details are provided in note 33 to the financial statements. There have been no other significant events since the balance sheet date, other than the declaration of the final ordinary and special dividend to be paid on 30 September 2009 as described below and in note 11.

Group results and Company dividends

Operating profit for the year ended 30 June 2009 was £69.8 million (2008: £57.7 million). The Group profit after taxation for the year ended 30 June 2009 was £52.1 million (2007: £42.4 million).

Dividends are shown in note 11 to the financial statements. In addition to the first interim dividend of 3.065 pence per share, we have declared a second (final) ordinary dividend of 4.229 pence per share, taking the total ordinary dividends up to 7.294 pence per share. This total dividend payout equates to 65% (2008: 60%) of post tax profits. We do not intend to accumulate cash going forwards and are therefore pleased to declare a special dividend of 2.807 pence per share. This equates to a further 25% (2008: 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 2009 are shown in note 22.

The ordinary shares rank pari passu in all respects. Save as agreed at the 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 Trustee of the Employee Benefit Trust (EBT), a subsidiary of the Company, holds Ordinary Shares for the EBT for the exercise of options granted under the 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 remaining 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.

Directors' Report

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

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

Non-executive directors:
Jonathan Bloomer
Michael Evans
Jonathan Davis

Executive directors:
Peter Hargreaves (Chief Executive Officer)
Stephen Lansdown (Chairman)
Tracey Taylor (Finance Director) appointed 24 November 2008

Martin Mulligan (former Finance Director) resigned on 21 November 2008

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

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.

Tracey Taylor was appointed during the year and offers herself for election at the forthcoming annual general meeting. Jonathan Bloomer and Michael Evans both reach the end of their three year appointments as non-executive directors on 18 September and 1 September 2009 respectively. Being eligible, each of these directors offers themselves 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 head office premises at Kendal House as disclosed in note 34 to the financial statements.

The directors who held office at 30 June 2009 had the following interests (including beneficial interests) in the shares of the Company. Any changes in the interests of directors between 30 June 2009 and the date of this report are also shown below.

The figures shown below 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.

Directors' Interests	Number and % of Ordinary Shares at 30 June 2009 and at the date of this report		Number of Ordinary Shares at 30 June 2008
Non-executive and executive directors			
J Bloomer	15,625	< 0.01%	15,625
M Evans	15,625	< 0.01%	15,625
P Hargreaves	152,717,606	32.20%	152,717,606
S Lansdown	109,060,843	22.99%	132,060,843
T Taylor	925,000	0.20%	889,224
Total	262,734,699	55.39%	285,698,923

Substantial shareholdings

As at 1 September 2009, 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:-

At the date of notification, 26 August 2009, Adam Norris held 14,552,549 shares which amounted to 3.07% of the issued share capital of the Company.

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 2009 were equivalent to 26 (2008: 19) 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 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.

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. As a result, risk assessments have been improved and updated training for employees with health and safety responsibilities is ongoing.

Employee consultation

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

Equality and diversity

Hargreaves Lansdown recognises, respects and values difference and diversity. We are an equal opportunities employer and it is our policy to ensure that all job applicants and employees are treated fairly and on merit regardless of their race, 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 make 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 2009 financial year compared against the last figures published by the Ombudsman show that Hargreaves Lansdown is achieving exceptionally good results in treating our clients fairly if they raise a complaint.

Special business

Articles of Association

The company's Articles of Association can only be amended by special resolution at a general meeting of shareholders. It is proposed to adopt new Articles of Association at the 2009 Annual General Meeting (AGM). Since the directors are proposing a large number of changes, to take account of developments in law and practice applicable to companies since the current Articles of Association were adopted in 2007, it is more appropriate to adopt new Articles of Association, rather than amend the existing ones. A circular to shareholders will be sent with the Notice of Annual General Meeting containing a summary of principal changes proposed and the reasons for these changes.

Authority to purchase own shares

The Company was granted authority at the AGM in 2008 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 27 November 2009 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 21 September 2009. 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 21 September 2009.

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

Three resolutions are to be proposed as special business at the 2009 AGM to enable the directors to adopt two new share incentive plans and renew one existing share option scheme. The existing all-employee Save as You Earn scheme will be renewed in addition to adopting a new Hargreaves Lansdown plc Executive Joint Share Ownership Plan (JSOP), and a Library Information Services Ltd Executive Share Option Scheme (LIS Option Scheme). Further details of these schemes are provided in the shareholders' Notice of AGM.

Auditors

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

- so far as the director is aware, there is no relevant audit information of which the Company's 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,

Simon Power
Company Secretary
22 September 2009

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 2009, 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 exception of 'Independence of the Chairman on appointment':-

The Chairman does not meet the independence criteria set out in the Code since he is an executive director of the Company. The Board considers that departure from the Combined Code in this area is 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. In his Chairman's statement, Stephen Lansdown has provided details of the proposed changes to his role and the agreement of the Board to recommend Michael Evans for appointment as non-executive Chairman with effect from 1 December 2009, following which the Group will be in compliance with this provision of the Code.

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 2009, the Board of Hargreaves Lansdown comprised of 3 executive members and 3 independent non-executive directors. 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 has primary responsibility for running the Board. The Chief Executive, Peter Hargreaves, 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. The non-executive directors do not participate in any of the Group's share option or other incentive schemes.

The Board uses its judgement to determine if a non-executive director is independent of management and whether any business or other relationship exists which could materially interfere with the exercise of objective, unfettered or independent judgement by the non-executive director or otherwise affect the non-executive director's ability to act in the best interests of the Group. In doing so, the Board gives due regard to provision A.3.1 of the Combined Code.

The Board concludes that Mr Evans and Mr Bloomer were independent directors throughout the financial year. The Board has considered the relationships explained below, and is also satisfied that Mr Davis has been an independent director under the terms of the Combined Code since his appointment.

1. In November 2007 Mr Hargreaves provided a personal loan on commercial terms to Mr Davis to assist with his purchase of an investment in Agrifirma Limited. The US$417,000 (£210,000) loan was provided prior to Mr Davis being appointed to the Board. The loan was repaid in June 2009. The Board has taken advice from the Company's lawyers and on review considers that under the provisions of the Combined Code the loan constituted a relationship or circumstance which could have appeared to affect Mr Davis's judgment and should have been disclosed as such in the 2008 Annual Report.

   The Board considers Mr Davis to be independent in character and judgement. He provides a robust and effective challenge to management, contributes effectively to Board debate and has proved himself willing to defend his viewpoint for the overall good of the Group. The Board and Committee debates and decisions reached since his appointment have been reviewed and the Board is satisfied that no situation has arisen throughout the period which could have been affected by any perceived conflict of interest.

2. Mr Davis is a director of Agrifirma Services Limited, a former UK subsidiary of Agrifirma Limited, which following a restructuring in May 2009 has been acquired by Agrifirma Brazil Limited. He is also a part time consultant to and shareholder in Agrifirma Brazil Limited. Mr Hargreaves also holds investments in Agrifirma Limited and Agrifirma Brazil Limited. The Company itself has no dealings with Agrifirma Limited or Agrifirma Brazil Limited. The Board has reviewed this arrangement and concluded that as the shareholding of each director is of a minority level, the common shareholding does not interfere with Mr Davis' independence.

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

Corporate Governance Statement

Role of the Board

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

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 Group Chief Executive, who is supported by the executive directors and senior executives. The Group 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 2009 were Michael Evans and Jonathan Davis. The Audit Committee meets at least three times each year but more frequently when required, and met four times during this financial year. On each occasion the Head of Internal Audit, Group Compliance Director and Group Finance Director 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 four times during the current year. The Committee is chaired by Jonathan Bloomer and its other members at 30 June 2009 were Michael Evans and Jonathan Davis. 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 2009 were Michael Evans and Jonathan Davis. The Company Secretary may also attend in his capacity as Secretary of the Company. The Nomination Committee meets at least once each year. The Committee met five 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 either existing Board members or by an external search company. 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.

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. At the 2009 Annual General Meeting, Tracey Taylor offers herself for election, and both Jonathan Bloomer and Michael Evans offer themselves for re-election.

The Nomination Committee has determined that Michael Evans has excellent skills to fulfil the position of Chairman of the Board when, as discussed in the Chairman's statement, Stephen Lansdown steps down as Chairman. The Board believes that his skills and experience and knowledge of the Group have proven to be invaluable and have 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.

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 Stephen Lansdown, and Peter Hargreaves in his absence, and also comprises Tracey Taylor, Nigel Bence, Andrew Christian, Lee Gardhouse, Theresa Barry and Alex Davies. Martin Mulligan was a member of the Committee until November 2008.

The Executive Committee meets at least quarterly but more frequently when required, and met four 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	4 / 4	-	-	-	4 / 4
Stephen Lansdown	4 / 4	-	-	-	3 / 4
Tracey Taylor	3 / 3	-	-	-	3 / 4
Martin Mulligan	1 / 1	-	-	-	1 / 2
Jonathan Bloomer	4 / 4	4 / 4	4 / 4	5 / 5	-
Michael Evans	4 / 4	4 / 4	4 / 4	5 / 5	-
Jonathan Davis	4 / 4	4 / 4	4 / 4	5 / 5	-
Executive Committee					
Theresa Barry	-	-	-	-	4 / 4
Nigel Bence	-	-	-	-	4 / 4
Andrew Christian	-	-	-	-	4 / 4
Lee Gardhouse	-	-	-	-	4 / 4
Alex Davies	-	-	-	-	4 / 4

* 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.

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, demonstrations of systems where relevant and visits to the offices.

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.

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 27 November 2009. 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 can be 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;
- an Internal Audit function which reports to the Audit Committee on the effectiveness of key internal controls in relation to these major risks;
- a Compliance function to manage relationships with the Group's key regulators and to identify major compliance and regulatory risks;
- a Money Laundering Reporting Officer and anti-money laundering procedures, and controls including training programmes for all staff;
- a risk manager who specifically considers the potential exposure of the Group to loss through financial crime and the controls in place to mitigate the risk of such loss; and
- a Group Risk Strategy requiring all senior managers to identify major risks and monitor the effectiveness of internal controls applied throughout the business. The Group's Internal Audit Department carries out reviews of the effectiveness of internal controls operated by each department or business unit as part of the audit of that department or unit.

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.

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 2009 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. Enhancements to the process used for identifying, evaluating and managing the significant risks faced by the Group were introduced in early 2009. A Risk Co-ordinator has been appointed to draw all the registers together and report to the directors and non-executive directors on a quarterly basis, for their review and feedback. 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 2009. 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.

Stephen Lansdown
Chairman
22 September 2009

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. 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

The members of the Audit Committee are:

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

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 Committee comprises three independent non-executive directors. Two members constitute a quorum.

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. All Audit Committee members are expected to be financially literate.

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.

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.

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 Group Chairman, Group 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

Since 1 July 2008 the Audit Committee has:

- reviewed the financial statements in the 2008 reports and accounts and the interim report issued in February 2009. 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;
- 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 scope of the audit work to be undertaken by the 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 2009 accounts and interim report;
- reviewed its own effectiveness;
- undertaken an evaluation of the performance of the Internal Audit function;
- agreed a programme of work for the Company's Internal Audit function;

- 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; and
- received presentations on the Group's treasury and tax functions.

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.

To fulfil its responsibility regarding the independence of the external auditors, the Audit Committee reviewed:

- the changes in key external audit staff in the external auditors' plan for the current year;
- the arrangements for day to day management of the audit relationship;
- the confirmation that no external audit staff are employed by the Group;
- a report from the external auditors describing their arrangements to identify, report and manage any conflicts of interest; and
- the overall extent of non-audit services provided by the external auditors, in addition to their case by case approval of the position of non-audit services by the external auditors.

To assess the effectiveness of the external auditors, the Audit Committee reviewed:

- the external auditors' fulfilment of the agreed audit plan and variations from the plan;
- the robustness and perceptiveness of the auditors in their handling of the key accounting and audit judgements; and
- the content of a report from the external auditors on their observations of controls across the Group.

As a consequence of its satisfaction with the results of the activities outlined above, the Audit Committee has recommended to the Board that the external auditors 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. To fulfil these duties, the Committee reviewed:

- Internal Audit's terms of reference, reporting lines and access to the Audit Committee and all members of the Board;
- Internal Audit's plans and its achievement of the planned activity;
- the results of key audits and other significant findings, the adequacy of management's response and the timeliness of resolution;
- the statistics on staff numbers, qualifications and experience and timeliness of reporting; and
- the level and nature of non-audit activity performed by Internal Audit.

The Group's Whistleblowing Policy 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:

Michael Evans
Member of the Audit Committee
22 September 2009

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 at which the financial statements will be approved.

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 2009.

The Company has a Remuneration Committee which is responsible for the framework or broad policy for the fair remuneration of the Executive Directors of the Company and its subsidiaries as well as their performance management. These will 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. They are reviewed annually and can be viewed at www.H-L.co.uk.

The members of the Committee throughout the financial year and to the date of this report were Jonathan Bloomer, Michael Evans and Jonathan Davis who are independent non-executive directors. The Committee is chaired by Jonathan Bloomer. 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, the Committee consulted Peter Hargreaves (Chief Executive), Theresa Barry (Group Marketing Director) and Stephen Lansdown (Chairman) about its proposals and they 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 Chairman, 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 executives of the Company below this level is appropriate. In particular, any exceptional remuneration arrangements for senior executives are advised to the Committee.

Executive directors' contracts

It is the Company's policy that executive directors should have contracts with an indefinite term providing for 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 the 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 Apr 2007	12 months
S Lansdown	5 Apr 2007	12 months
T Taylor	1 Nov 2008	12 months

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 non-executive chairman 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 schemes. Executives are encouraged to accumulate personal holdings in Hargreaves Lansdown plc shares.

Bonuses are based on achievements such as delivering growth, managing risk, improving customer service and satisfaction, and achieving efficiencies, all of which contribute directly to the value of the business. By the nature of our business, the Group's profits are quickly turned 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 justification for deferring that bonus or introducing a clawback provision.

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

There are five main elements of the remuneration package for executive directors and senior management:

- basic annual salary;
- annual bonus payments;
- share option incentives;
- 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 and 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 allocation of the bonuses, regard is given to the performance of the individual, the relative success of the different 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. At the time of the IPO, a cap on the bonuses of Stephen Lansdown and Peter Hargreaves of 100% of salary was agreed. The level of the cap is inconsistent with the remuneration policy being applied to the other executive directors and the Committee decided that henceforth the cap should be increased to 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 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.

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 will be asked to approve 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 award 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. On 1 July 2008, the Group replaced its defined contribution personal pension scheme with its own Group Self Invested Personal Pension (the "GSIPP"). The new scheme 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

The executive directors are entitled to life assurance cover of three times the executive's salary and, subject to the rules of the scheme, permanent health insurance. The executive directors may also receive certain benefits-in-kind.

Outcome of review by Remuneration Committee

The Committee reviewed the remuneration packages in the light of the Group's exceptional performance in extremely difficult trading circumstances. Full year profits were ahead of the market analysts' consensus, costs have been controlled, earnings per share have improved and dividends have increased. For a financial services company in the face of the economic downturn, these represent excellent results.

Performance graph

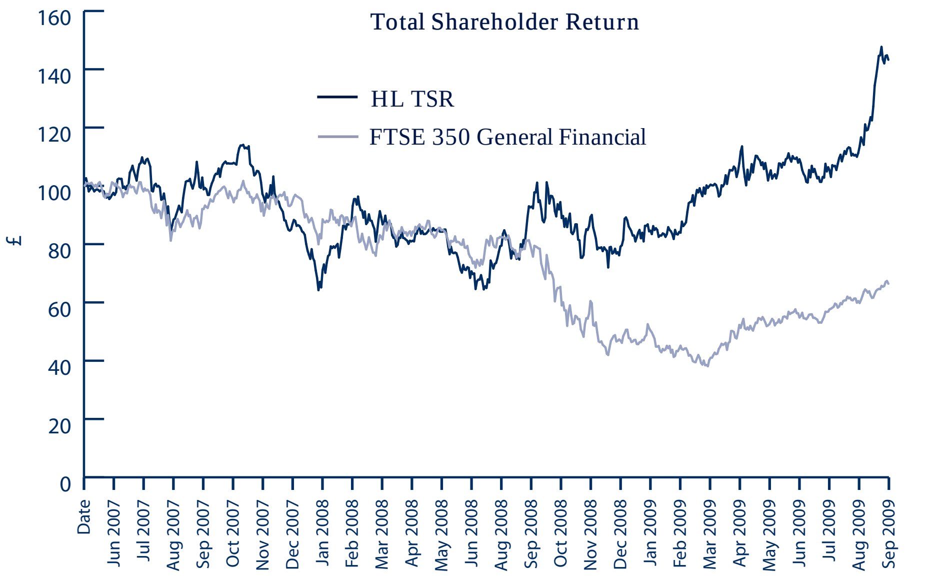
The graph opposite shows the Company's performance, measured by Total Shareholder Return (TSR) i.e capital growth and dividends paid, compared with the performance of the FTSE 350 General Financial Index during the period since flotation.

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.

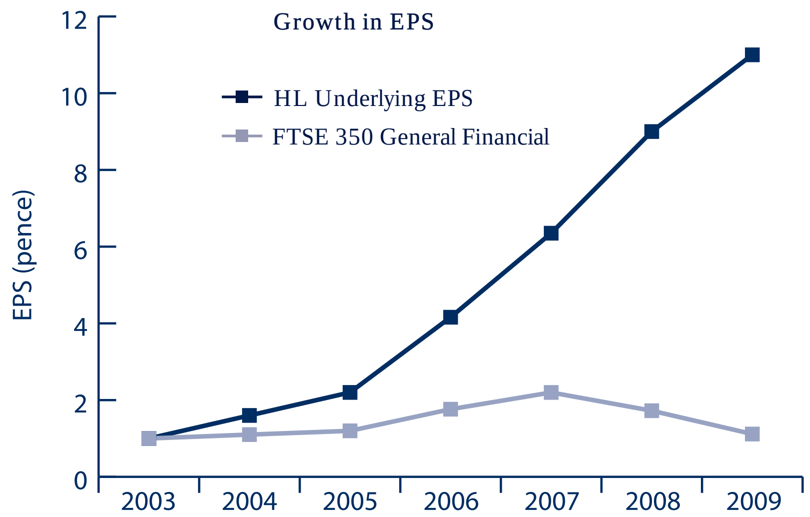
The Company's performance measured using underlying adjusted earnings per share (EPS) has also been compared against the performance of the FTSE 350 General Financial Index (opposite).

Basic salaries were reviewed during the year with no increases taking effect, with the exception of Tracey Taylor who became Group Finance Director during the year.

The Committee agreed that Peter Hargreaves, Stephen Lansdown and Tracey Taylor should receive bonuses of £600,000, £350,000 and £250,000 respectively. The bonuses paid to executive directors of the Company and of the subsidiary companies varied between half and four times salary.



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 General Financial sector.



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 £35,000 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. 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. Both Jonathan Bloomer and Michael Evans have agreed to continue as non-executive directors for a further three years after expiry of their initial three year term in September 2009. In the case of Michael Evans he has agreed to become non-executive chairman with effect from 1 December 2009 subject to approval at this year's Annual General Meeting and the Committee has agreed an increase to the fees payable to him for this role to £90,000 p.a. with effect from 1 December 2009. Jonathan Bloomer's fees will be increased to £55,000 p.a. in total with effect from 1 September 2009. On the basis that these appointments are confirmed at the Annual General Meeting, the company will actively seek a further non-executive director to comply with the provisions of the Combined Code.

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.

Directors' Remuneration Report

Audited information

The following information is provided in respect of directors who served during the year ended 30 June 2009:

Aggregate directors' remuneration	2009 £'000	2008 £'000
The total amounts for directors' remuneration were as follows:		
Pension contributions	22	218
Emoluments	2,124	1,613
Gains on exercise of share options	504	2,540
Share-based payments	2	2
	2,652	4,373

Directors' pension contributions

2 directors were a member of a money purchase scheme during 2009 (2008: 1). Contributions paid by the Company were:

Name of director	2009 £	2008 £
Current Executive directors		
T P Taylor	18,567	-
Former Executive directors		
M J Mulligan*	3,333	218,320
	21,900	218,320

* In 2008, the Company pension contribution includes £190,000 of bonus sacrifice and the associated £24,320 employer's national insurance saving paid as pension contribution.

Directors' emoluments

Name of director	Fees / Basic salary £	Benefits in kind £	Performance bonuses £	2009 Total[1] £	2008 Total[2] £
Current Executive directors					
P K Hargreaves	350,000	66,953	600,000	1,016,953	746,594
S P Lansdown	275,000	8,350	350,000	633,350	559,045
T P Taylor	127,254	1,820	145,833	274,907	-
	752,254	77,123	1,095,833	1,925,210	1,305,639
Former Executive directors					
M J Mulligan	83,333	-	-	83,333	210,000
	83,333	-	-	83,333	210,000
Non-executive directors					
J Bloomer	50,000	-	-	50,000	50,000
M Evans	35,000	-	-	35,000	35,000
J Davis	30,000	-	-	30,000	12,500
	115,000	-	-	115,000	97,500
Aggregate emoluments	950,587	77,123	1,095,833	2,123,543	1,613,139

[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.*
[2] *Excludes bonus sacrifice amounts which are shown as an employer's pension contribution in the previous table.*

Directors' Remuneration Report

Directors' share options

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 2009 was £2.05 and the range during the year to 30 June 2009 was £1.32 to £2.27.

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 2009 £	Gains on exercise 2008 £
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	1,375,000	£0.55	7 September 2007	£2.10	-	2,137,500
	275,000	£0.64	7 September 2007	£2.10	-	402,500
	17,325	£0.04	1 August 2008	£1.63	27,610	-
					503,581	2,540,000

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 2008	Exercised	Granted	Lapsed	At 30 June 2009	Exercise Price	Expiration Date	Date from which exercisable
T P Taylor	Exec Scheme	220,000	220,000	-	-	-	£0.64	Feb 2016	Feb 2006
	Exec Scheme	-	-	15,355	-	15,355	£1.95	Mar 2019	Mar 2014
	SAYE	108,350	108,350	-	-	-	£0.04	Mar 2009	Aug 2008
	SAYE	22,550	-	-	-	22,550	£0.64	Nov 2012	May 2012
	SAYE	-	-	2,373	-	2,373	£1.75	Mar 2014	Oct 2013
M J Mulligan	SAYE	17,325	17,325	-	-	-	£0.04	Mar 2009	Aug 2008
	SAYE	26,400	-	-	26,400	-	£0.55	Nov 2012	May 2012

Approval

This report was approved by the Board of directors on 22 September 2009 and signed on its behalf by:

Michael Evans
Member of the Remuneration Committee
22 September 2009

Statement of Directors' Responsibilities

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

Stephen Lansdown	Tracey Taylor
Chairman	Group Finance Director
22 September 2009	22 September 2009

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 2009 which comprise the Consolidated Income Statement, the Consolidated and Parent Company Statements of Recognised Income and Expense, the Consolidated and Parent Company Balance Sheets, the Consolidated and Parent Company Cash Flow Statements and the related notes 1 to 35. 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.

This report is made solely to the company's members, as a body, in accordance with sections 495, 496 and 497 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 2009 and of the Group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; 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.

Mark McQueen (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors Bristol,
United Kingdom

22 September 2009

Consolidated Income Statement

	Note	Year ended 30 June 2009 £'000	Year ended 30 June 2008 £'000
Revenue	4	132,845	120,332
Total operating income		132,845	120,332
Administrative expenses		(63,038)	(62,553)
Operating profit		69,807	57,779
Investment revenue	8	2,534	3,113
Other gains and losses	9	740	53
Profit before tax		73,081	60,945
Tax	10	(20,968)	(18,551)
Profit for the year	6	52,113	42,394
Attributable to:			
Equity holders of the Company		52,123	42,401
Minority interest		(10)	(7)
		52,113	42,394
Dividend per share (pence) **	11		
2009 Interim dividend		3.065	3.065
2008 Final dividend		2.420	-
2008 Special dividend		2.324	-
Total dividend per share		7.809	3.065
Earnings per share			
Basic earnings per share * (pence)	12	11.2	9.1
Diluted earnings per share * (pence)	12	11.1	9.0

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

* Underlying earnings per share, excluding the impact of investment gains is shown in note 12.
** After the balance sheet date, the directors declared a final dividend of 4.229 pence per share and a special dividend of 2.807 pence per share payable on 30 September 2009 to shareholders on the register on 11 September 2009.

Consolidated Statement of Recognised Income and Expense

	Group		Company	
	Year ended 30 June 2009	Year ended 30 June 2008	Year ended 30 June 2009	Year ended 30 June 2008
	£'000	£'000	£'000	£'000
Profit for the financial year	52,113	42,394	46,150	37,755
Decrease in fair value of available-for-sale investments	(77)	-	(77)	-
Net expense recognised directly in equity	(77)	-	(77)	-
Total recognised income and expense for the financial year	52,036	42,394	46,073	37,755

Consolidated and Company Balance Sheets

		Group		Company	
		At 30 June 2009	At 30 June 2008	At 30 June 2009	At 30 June 2008
	Note	£'000	£'000	£'000	£'000
Assets:					
Non-current assets					
Goodwill	13	1,333	1,333	-	-
Other intangible assets	14	237	291	-	-
Property, plant and equipment	15	1,791	2,142	26	176
Investments	17	-	-	2,152	2,152
Deferred tax assets	19	1,826	3,353	77	53
		5,187	7,119	2,255	2,381
Current assets					
Trade and other receivables	18	75,417	76,602	428	323
Cash and cash equivalents	18	87,416	68,241	34,795	28,674
Investments	17	2,382	1,142	1,402	478
Current tax assets		21	25	42	32
		165,236	146,010	36,667	29,507
Total assets		170,423	153,129	38,922	31,888
Liabilities:					
Current liabilities					
Trade and other payables	20	75,992	72,108	1,391	4,202
Current tax liabilities		8,997	10,266	-	-
		84,989	82,374	1,391	4,202
Net current assets		80,247	63,636	35,276	25,305
Non-current liabilities					
Provisions	21	784	444	-	-
		784	444	-	-
Total liabilities		85,773	82,818	1,391	4,202
Net assets		84,650	70,311	37,531	27,686
Equity:					
Share capital	22	1,897	1,897	1,897	1,897
Share premium account	23	8	8	8	8
Investment revaluation reserve	24	(77)	-	(77)	-
Capital redemption reserve	25	12	12	12	12
Shares held by Employee Benefit Trust reserve	26	(10,965)	(9,739)	-	-
EBT reserve	27	11,118	12,053	-	-
Share option reserve	28	7,577	6,885	-	-
Retained earnings	29	75,150	59,255	35,691	25,769
Total equity, attributable to equity shareholders of the parent		84,720	70,371	37,531	27,686
Minority interest		(70)	(60)	-	-
Total equity		84,650	70,311	37,531	27,686

The financial statements were approved by the Board of directors on 22 September 2009 and signed on its behalf by:

Stephen Lansdown
Chairman

Tracey Taylor
Group Finance Director

Statement of Cash Flows

		Group		Company	
		Year ended 30 June 2009	Year ended 30 June 2008	Year ended 30 June 2009	Year ended 30 June 2008
	Note	£'000	£'000	£'000	£'000
Net cash from operating activities, after tax	30	56,951	34,670	(3,757)	3,993
Investing activities					
Interest received		2,438	3,004	609	440
Dividends received from investments		96	109	45,750	38,300
Proceeds on disposal of available-for-sale investments		748	27	748	-
Purchases of property, plant and equipment		(1,007)	(950)	-	2
Purchase of intangible fixed assets		(345)	(381)	-	-
Acquisition of available-for-sale investments		(1,317)	-	(1,001)	-
Net cash from investing activities		613	1,809	46,106	38,742
Financing activities					
Purchases of own shares in EBT		(3,832)	(3,101)	-	-
Proceeds on sale of own shares in EBT		1,671	935	-	-
Dividends paid		(36,228)	(14,164)	(36,228)	(14,164)
Net cash used in financing activities		(38,389)	(16,330)	(36,228)	(14,164)
Net increase in cash and cash equivalents		19,175	20,149	6,121	28,571
Cash and cash equivalents at beginning of year		68,241	48,092	28,674	103
Cash and cash equivalents at end of year		87,416	68,241	34,795	28,674

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 Kendal House, 4 Brighton Mews, Clifton, Bristol, BS8 2NX, 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 endorsed 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 £46,150,000 (2008: £37,755,000).

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

IAS 1	Revised - Presentation of financial statements
IFRS 2	Amendment - Share-based payments
IFRS 3	Business combinations
IFRS 5	Amendment - Non-current assets held for sale and discontinued operations
IFRS 7	Improving disclosures about financial instruments
IFRS 8	Operating segments
IAS 7	Amendment - Statement of cash flows
IAS 16	Amendment - Property, plant and equipment
IAS 17	Amendment - Leases
IAS 27	Amendment - Consolidated and separate financial statements
IAS 32	Amendment - Financial instruments: Presentation
IAS 36	Amendment - Impairment of assets
IAS 38	Amendment - Intangible assets
IAS 39	Amendment - Financial instruments: Recognition and measurement
IFRIC 17	Distribution of non cash assets to owners

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.

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 2009. 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.

2. Significant accounting policies (continued)

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 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.

Operating profit

Operating profit is stated before investment revenue and finance costs.

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.

2. Significant accounting policies (continued)

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.

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.

2. Significant accounting policies (continued)

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.

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 note 24, 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.

2. Significant accounting policies (continued)

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.

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 2009	Year ended 30 June 2008
Revenue from services:	£'000	£'000
Fees and commission income	99,578	102,277
Interest and similar income	31,142	16,710
Subscriptions and sundry charges	2,125	1,345
Total operating income	132,845	120,332

5. Business and geographical segments

A business segment is a group of assets and operations engaged in providing services that are subject to risks and returns that are different from those of other business segments. The Group is currently organised into different operating divisions, however the nature of the services provided, the regulatory environment, the customer base and distribution channels for each division are the same so that for the purposes of IAS 14 Segment Reporting, the consolidated entity operates in one business segment. The principal activity of the Group is the provision of investment administration and advisory services. As the Group only operates in one business segment, no additional business segmental analysis has been shown.

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

6. Profit for the year

Profit for the year has been arrived at after charging:

	Year ended 30 June 2009	Year ended 30 June 2008
	£'000	£'000
Depreciation of owned plant and equipment	1,350	1,058
Amortisation of other intangible assets	399	171
Operating lease rentals payable - property	968	810
Staff costs (see note 7)	37,244	36,518

Auditors' remuneration

The analysis of auditors' remuneration is as follows:

	Year ended 30 June 2009	Year ended 30 June 2008
	£'000	£'000
Audit fees: fees payable for the audit of the Company's annual accounts	5	6
Audit fees: fees payable for the audit of the Company's subsidiaries pursuant to legislation	79	78
Audit fees: fees payable for the audit of the Company's half yearly financial report	10	10
Audit fees: other verification work	6	-
Fees payable to the Company's auditors and their associates for other services to the Group:		
Tax advisory services	2	11
Total non-audit fees	2	11

7. Staff costs

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

	Year ended 30 June 2009	Year ended 30 June 2008
	No.	No.
Operating and support functions	447	479
Administrative functions	160	178
	607	657
Of which the following number were employed by the parent company:		
Administrative functions	3	3

	Year ended 30 June 2009	Year ended 30 June 2008
Their aggregate remuneration comprised:	£'000	£'000
Wages and salaries	31,337	31,802
Social security costs	3,477	3,651
Share based payments expense	184	205
Other pension costs	2,246	860
	37,244	36,518

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 32.

8. Investment revenue

	Year ended 30 June 2009	Year ended 30 June 2008
	£'000	£'000
Interest on bank deposits	2,438	3,004
Dividends from equity investment	96	109
	2,534	3,113

9. Other gains and losses

	Year ended 30 June 2009 £'000	Year ended 30 June 2008 £'000
Profit on part disposal of subsidiary undertaking	-	53
Gain on disposal of investments	740	-
	740	53

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.

10. Tax

	Year ended 30 June 2009 £'000	Year ended 30 June 2008 £'000
Current tax	21,262	18,146
Deferred tax (note 19)	(294)	405
	20,968	18,551

Corporation tax is calculated at 28% of the estimated assessable profit for the year to 30 June 2009.

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 (note 28)	1,821	1,220
Current tax relief on exercise of share options (note 28)	(2,329)	(818)
	(508)	402

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 (28%) in the medium term. 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 2009.

10. Tax (continued)

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 2009 £'000	Year ended 30 June 2008 £'000
Profit before tax from continuing operations	73,081	60,945
Theoretical tax charge	20,463	18,030
- at the UK corporation tax rate of	28%	30%, reducing to 28% from 1 April
Items not allowable for tax	18	157
Effect of adjustments relating to prior years	452	323
Utilisation of small company rate and rate applicable to trusts	35	78
Impact of change in tax rate	-	(5)
Dividend income not subject to tax	-	(32)
Tax expense for the year	20,968	18,551
Effective tax rate	28.7%	30.4%

11. Dividends

	Year ended 30 June 2009 £'000	Year ended 30 June 2008 £'000
Amounts recognised as distributions to equity holders in the period:		
2008 Final dividend of 2.42p per share	11,224	-
2008 Final special dividend of 2.324p per share	10,779	-
First interim dividend of 3.065p (2008: 3.065p) per share	14,225	14,164

After the balance sheet date, the directors declared a second interim (final) ordinary dividend of 4.229 pence per share and a special dividend of 2.807 pence per share payable on 30 September 2009 to shareholders on the register on 11 September 2009. Dividends are required to be recognised in the financial statements when paid, and accordingly the proposed dividends amounts are not recognised in these financial statements, but will be included in the 2010 financial statements as follows:

	£'000
Final dividend proposed of 4.229p per share	19,640
Special dividend proposed of 2.807p per share	13,036

11. Dividends (continued)

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 2009	Year ended 30 June 2008
Number of shares held by the Hargreaves Lansdown Employee Benefit Trust (HL EBT)	9,762,032	13,818,359
Representing % of called-up share capital	2.06%	2.91%

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.

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

	Year ended 30 June 2009	Year ended 30 June 2008
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	52,123	42,394
Other gains and losses	(740)	(53)
Tax on other gains and losses	48	-
Earnings for the purposes of underlying basic and underlying diluted earnings per share	51,431	42,341
Number of shares	Number	Number
Weighted average number of ordinary shares for the purposes of diluted earnings per share	469,318,665	470,980,973
Weighted average number of shares held by HL EBT which have not vested unconditionally with employees	3,077,285	6,885,487
Weighted average number of ordinary shares for the purposes of basic earnings per share	466,241,380	464,095,486
Earnings per share	Pence	Pence
Basic earnings per share	11.2	9.1
Diluted earnings per share	11.1	9.0
Underlying basic earnings per share	11.0	9.1
Underlying diluted earnings per share	11.0	9.0

13. Goodwill - Group

	30 June 2009 £'000	30 June 2008 £'000
Cost		
At beginning and end of year	1,450	1,450
Accumulated impairment losses		
At beginning and end of year	117	117
Carrying amount		
At end of year	1,333	1,333

The net carrying value of goodwill relates entirely to the acquisition of Hargreaves Lansdown Pensions Direct Limited. 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 2011 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%.

14. Other intangible assets - Group

	Computer Software £'000
Cost	
At 1 July 2007	1,370
Additions	381
At 1 July 2008	1,751
Additions	368
Disposals	(15)
Other movements	(23)
At 30 June 2009	2,081
Amortisation	
At 1 July 2007	1,289
Charge	171
At 1 July 2008	1,460
Charge	411
Disposals	(15)
Other movements	(12)
At 30 June 2009	1,844
Carrying amount	
At 30 June 2008	291
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	Fixtures, fittings, plant and equipment	Total
	£'000	£'000	£'000
Cost or valuation			
At 1 July 2007	24	5,210	5,234
Additions	31	933	964
Disposals	(24)	-	(24)
At 1 July 2008	31	6,143	6,174
Additions	-	1,251	1,251
Disposals	-	(33)	(33)
Other movements	-	(244)	(244)
At 30 June 2009	31	7,117	7,148
Accumulated depreciation and impairment			
At 1 July 2007	11	2,974	2,985
Charge	8	1,050	1,058
Disposals	(11)	-	(11)
At 1 July 2008	8	4,024	4,032
Charge	8	1,342	1,350
Disposals	-	(25)	(25)
At 30 June 2009	16	5,341	5,357
Carrying amount			
At 30 June 2008	23	2,119	2,142
At 30 June 2009	15	1,776	1,791

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

15. Property, plant and equipment - Company

	Fixtures, fittings, plant and equipment
	£'000
Cost or valuation	
At 1 July 2007	1,382
Disposals	(2)
At 1 July 2008	1,380
Disposals	(12)
At 30 June 2009	1,368

15. Property, plant and equipment – Company (Continued)

Accumulated depreciation and impairment	Fixtures, fittings, plant and equipment
	£'000
At 1 July 2007	1,044
Charge	160
At 1 July 2008	1,204
Charge	148
Disposals	(10)
At 30 June 2009	1,342
Carrying amount	
At 30 June 2008	176
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

17. Investments - Group

	At 30 June 2009	At 30 June 2008
	£'000	£'000
At beginning of year	1,142	1,169
Purchases	1,317	-
Net decrease in the value of available-for-sale investments (note 24)	(77)	-
Disposals	-	(27)
At end of year	2,382	1,142
Current asset investments	2,382	1,142

17. Investments - Group (continued)

Current asset investments include the following:	At 30 June 2009	At 30 June 2008
	£'000	£'000
UK listed securities valued at quoted market price	1,641	401
Unlisted securities valued at cost	741	741
	2,382	1,142

£717,000 (2008: £401,000) of investments are classified as held at fair value through profit and loss and £1,665,000 (2008: £741,000) are classified as available-for-sale. Available-for-sale investments have been included at fair value where a fair value can be reliably calculated, with the revaluation gains and losses reflected in the investment revaluation reserve as shown in note 24, 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 2009	At 30 June 2008
	£'000	£'000
At beginning of period	2,630	2,630
Net decrease in the value of available-for-sale investments (note 24)	(77)	-
Purchases	1,001	-
At end of year	3,554	2,630
Non-current asset investments	2,152	2,152
Current asset investments	1,402	478
	3,554	2,630

Investments include the following:	At 30 June 2009	At 30 June 2008
	£'000	£'000
UK listed securities valued at quoted market price	924	-
Unlisted securities valued at cost	478	478
Non-current assets:–		
Investments in subsidiaries valued at cost less impairment	2,152	2,152
	3,554	2,630

£1,402,000 (2008: £478,000) 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 as shown in note 24, 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 2009	At 30 June 2008	At 30 June 2009	At 30 June 2008
	£'000	£'000	£'000	£'000
Amounts receivable from subsidiaries and EBT	-	-	300	16
Trade receivables	60,780	63,620	-	-
Other receivables	291	371	-	-
Prepayments	14,346	12,611	128	307
	75,417	76,602	428	323

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 £54.0 million (2008: £55.4 million) of counterparty balances.

Cash and cash equivalents	Group		Company	
	At 30 June 2009	At 30 June 2008	At 30 June 2009	At 30 June 2008
	£'000	£'000	£'000	£'000
Cash and cash equivalents	87,416	68,241	34,795	28,674
Comprising:				
Restricted cash - client settlement account balances	10,231	3,776	-	-
Restricted cash - balances held by EBT	6,800	10,934	-	-
Group cash and cash equivalent balances	70,385	53,531	34,795	28,674

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

19. Deferred tax

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

	Accelerated tax depreciation	Future relief on capital losses	Share based payments	Other deductible temporary differences	Total
Group	£'000	£'000	£'000	£'000	£'000
At 1 July 2007	510	-	4,121	347	4,978
Charge to income	(156)	-	(151)	(98)	(405)
Charge to equity	-	-	(1,220)	-	(1,220)
At 30 June 2008	354	-	2,750	249	3,353
Credit / (charge) to income	256	98	(113)	53	294
Charge to equity	-	-	(1,821)	-	(1,821)
At 30 June 2009	610	98	816	302	1,826
Company					
At 1 July 2007	440	-	-	-	440
(Charge) / credit to income	(400)	-	-	13	(387)
At 30 June 2008	40	-	-	13	53
Credit to income	24	-	-	-	24
At 30 June 2009	64	-	-	13	77

19. Deferred tax (continued)

	Group		Company	
	At 30 June 2009	At 30 June 2008	At 30 June 2009	At 30 June 2008
	£'000	£'000	£'000	£'000
Deferred tax asset	1,826	3,353	77	53

20. Other financial liabilities

Trade and other payables	Group		Company	
	At 30 June 2009	At 30 June 2008	At 30 June 2009	At 30 June 2008
	£'000	£'000	£'000	£'000
Current payables				
Amounts payable to subsidiaries	-	-	14	3,236
Trade payables	62,601	60,138	-	-
Social security and other taxes	3,423	3,294	155	107
Other payables	8,509	7,804	1,209	835
Accruals and deferred income	1,459	872	13	24
	75,992	72,108	1,391	4,202

In accordance with market practice, certain balances with clients, Stock Exchange member firms and other counterparties are included in creditors. Trade payables include £61.5 million (2008: £56.9 million) of counterparty balances. Accruals and other payables principally comprise amounts outstanding for trade purchases and ongoing costs.

21. Provisions - Group

	Commission on indemnity terms	Property costs	Total
Included within non-current liabilities:	£'000	£'000	£'000
At 1 July 2007	364	165	529
Utilised during year	(85)	-	(85)
At 1 July 2008	279	165	444
Charged during year	96	244	340
At 30 June 2009	375	409	784

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 2009	At 30 June 2008
	£'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.

23. Share premium account – Company and Group

	At 30 June 2009	At 30 June 2008
	£'000	£'000
Balance at beginning and at end of year	8	8

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

24. Investment revaluation reserve

	Group		Company	
	At 30 June 2009	At 30 June 2008	At 30 June 2009	At 30 June 2008
	£'000	£'000	£'000	£'000
Decrease in fair value of available-for-sale investments	(77)	-	(77)	-
Balance at end of year	(77)	-	(77)	-

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

25. Capital redemption reserve – Company and Group

	At 30 June 2009	At 30 June 2008
	£'000	£'000
Balance at beginning and at end of year	12	12

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

26. Shares held by Employee Benefit Trust reserve - Group

	At 30 June 2009 £'000	At 30 June 2008 £'000
Balance at beginning of year	(9,739)	(7,552)
Shares acquired in the year	(3,832)	(3,101)
Shares sold in the year	2,606	914
Balance at end of year	(10,965)	(9,739)

The shares held by Employee Benefit Trust reserve represents the cost of shares in Hargreaves Lansdown plc purchased in the market and held by the Hargreaves Lansdown plc Employee Benefit Trust to satisfy options under the Group's share option schemes (see note 32).

27. EBT reserve - Group

	At 30 June 2009 £'000	At 30 June 2008 £'000
Balance at beginning of year	12,053	12,030
(Loss) / gain on sale of shares by EBT	(935)	23
Balance at end of year	11,118	12,053

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

28. Share option reserve - Group

	At 30 June 2009 £'000	At 30 June 2008 £'000
Balance at beginning of year	6,885	7,082
Share based payments expense	184	205
Deferred tax effect of share based payments	(1,821)	(1,220)
Tax relief on exercise of share options	2,329	818
Balance at end of year	7,577	6,885

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

29. Retained earnings

	Group		Company	
	At 30 June 2009 £'000	At 30 June 2008 £'000	At 30 June 2009 £'000	At 30 June 2008 £'000
Balance at beginning of year	59,255	31,018	25,769	2,178
Dividends paid	(36,228)	(14,164)	(36,228)	(14,164)
Net profit for the year	52,113	42,394	46,150	37,755
Minority Interest	10	7	-	-
Balance at end of year	75,150	59,255	35,691	25,769

30. Note to the consolidated cashflow statement

	Group		Company	
	Year ended 30 June 2009	Year ended 30 June 2008	Year ended 30 June 2009	Year ended 30 June 2008
	£'000	£'000	£'000	£'000
Profit for the year after tax	52,113	42,394	46,150	37,755
Adjustments for:				
Investment revenues	(2,534)	(3,113)	(46,359)	(38,740)
Other gains and losses	(740)	(53)	(746)	-
Income tax expense	20,968	18,551	(66)	355
Depreciation of plant and equipment	1,350	1,058	148	160
Amortisation of intangible assets	399	171	-	-
Share-based payment expense	184	205	-	-
Increase / (decrease) in provisions	340	(85)	-	-
Operating cash flows before movements in working capital	72,080	59,128	(873)	(470)
Decrease / (increase) in receivables	1,185	(25,067)	(105)	418
Increase / (decrease) in payables	3,884	7,851	(2,811)	1,320
Cash generated by operations	77,149	41,912	(3,789)	1,268
Income taxes (paid) / received	(20,198)	(7,242)	32	2,725
Net cash from operating activities	56,951	34,670	(3,757)	3,993

31. Commitments

	Year ended 30 June 2009	Year ended 30 June 2008
Operating lease commitments	£'000	£'000
The Group as lessee		
Minimum lease payments under operating leases recognised as an expense in the year	968	810

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:

	2009	2008
Within one year	987	827
In the second to fifth years inclusive	10,602	8,525
After five years	33,997	2,810
Total minimum lease payments	45,586	12,162

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.

Total future minimum sublease payments expected to be received under a non-cancellable sublease at 30 June 2009 is £35,000

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 2009 amounted to £94,219 (2008: £119,184).

Capital commitments

At the balance sheet date, the Group had £818,000 (2008: £nil) worth of capital commitments regarding purchase of new office equipment.

32. 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 three share option plans: the Employee Savings-Related Share Option Scheme ("SAYE"), the Hargreaves Lansdown plc Share Incentive Plan ("SIP"), and the Hargreaves Lansdown Company Share Option Scheme (the "Executive Option Scheme").

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 no performance conditions for options granted under any of the schemes, although options are forfeited if the employee leaves the Group before the options vest.

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 2009		30 June 2008	
	Share options No.	Weighted average exercise price Pence	Share options No.	Weighted average exercise price Pence
SIP				
Outstanding at beginning of year	886,875	23.5	959,750	23.5
Exercised during the year	(21,725)	23.5	-	-
Forfeited during the year	(88,550)	23.5	(72,875)	23.5
Outstanding at the end of the year	776,600	23.5	886,875	23.5
Exercisable at the end of the year	-	-	-	-
SAYE				
Outstanding at beginning of year	8,138,625	33.3	8,867,925	10.4
Granted during the year	533,682	175.0	-	-
Exercised during the year	(3,449,124)	4.4	(274,725)	3.6
Forfeited during the year	(588,622)	70.2	(454,575)	36.8
Outstanding at the end of the year	4,634,561	66.4	8,138,625	33.3
Exercisable at the end of the year	22,651	54.5	-	-
Executive Option Scheme				
Outstanding at beginning of year	2,392,500	63.6	4,042,500	60.5
Exercised during the year	(2,392,500)	63.6	(1,650,000)	56.1
Granted during the year	829,170	195.4	-	-
Outstanding at the end of the year	829,170	195.4	2,392,500	63.6
Exercisable at the end of the year	-	-	2,392,500	63.6

The weighted average share price of options exercised during the year at the date of exercise was 177.17 pence.

32. Share based payments (continued)

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

	30 June 2009		30 June 2008	
	Share options No.	Weighted average expected remaining life	Share options No.	Weighted average expected remaining life
Option exercise price range (pence)				
2.7 to 3.6	-	-	3,402,575	0.1 years
23.5	776,600	0.4 years	886,875	1.4 years
54.5	4,179,551	2.8 years	4,736,050	3.9 years
63.6	-	-	2,392,500	0 years
175.0	455,010	4.3 years	-	-
195.4	829,170	4.8 years	-	-
	6,240,331	2.9 years	11,418,000	1.3 years

The fair value at the date of grant of options awarded during 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:

	At 30 June 2009
Weighted average share price	181.12 p
Expected dividend yields	4.97%
SAYE	
Weighted average exercise price	175.00 p
Expected volatility	13%
Risk-free rate	3.00%
Expected life	5 years
Executive scheme	
Weighted average exercise price	195.38 p
Expected volatility	13%
Risk-free rate	3.00%
Expected life	5 years

No share options were granted during the year ended 30 June 2008. The weighted average share price during the year ended 30 June 2008 was 190.15p.

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.

33. Events after the balance sheet date

Dividend
On 2 September 2009 the Directors proposed a second interim (final) ordinary dividend payment of 4.229 pence per ordinary share and a special dividend of 2.807 pence per ordinary share, payable on 30 September 2009 to all shareholders on the register at the close of business on 11 September as detailed in note 11.

Lease
On 22 July 2009, the Company signed the lease for the Group's new head office premises. The lease term is 17.25 years with annual rent payable of £2.74 million p.a. The Group will also benefit from an initial 15 month rent-free period and other lease incentives.

34. 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 2009 and 30 June 2008 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 head office premises at Kendal House at an annual rental of £302,400. No amount was outstanding at any year end.

During the years ending 30 June 2009 and 30 June 2008 the Group has provided a range of investment services to shareholders, directors and staff on normal third party business terms.

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

	Year ended 30 June 2009	Year ended 30 June 2008
	£'000	£'000
Short-term employee benefits	6,337	5,682
Defined contribution pension costs	171	417
Share-based payments	31	15
	6,539	6,114

34. Related party transactions (continued)

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 2009 £'000	Year ended 30 June 2008 £'000
Wages and salaries, excluding national insurance costs	2,124	1,613
Pension contributions	22	218
Share-based payments	2	2
	2,148	1,833
Aggregate gains made on the exercise of share options	504	2,540
Emoluments of the highest paid director	1,017	747
Number of directors who were members of money purchase pension schemes	2	1

Transactions between subsidiaries and between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation 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 2009 £'000	Year ended 30 June 2008 £'000
Dividends received from subsidiaries	45,750	38,300
Management charges to subsidiaries	720	699
Amounts owed to related parties at 30 June	14	3,237
Amounts owed by related parties at 30 June	300	16

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.

35. 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.

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 interest rate risk, foreign exchange risk, 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.

35. 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 2009 the value of financial instruments on the Group balance sheet exposed to interest rate risk was £87,416,000 (2008: £68,241,000) 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 six 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 2009, the fair value of investments recognised on the Group balance sheet was £2,382,000 (2008: £1,142,000). 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.

35. Financial instruments (continued)

The table below analyses the maturities of the undiscounted cashflows 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	3-6 months	6-12 months	Over 1 year	Total
	£'000	£'000	£'000	£'000	£'000
At 30 June 2009					
Trade and other payables - current:					
Trade payables	62,602	-	-	-	62,602
Social security and other taxes	3,381	42	-	-	3,423
Other payables	8,176	333	-	-	8,509
Accruals and deferred income	1,425	33	-	-	1,458
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
At 30 June 2008					
Trade and other payables - current:					
Trade payables	60,138	-	-	-	60,138
Social security and other taxes	3,252	42	-	-	3,294
Other payables	7,456	348	-	-	7,804
Accruals and deferred income	848	24	-	-	872
Total	71,694	414	-	-	72,108
Current tax	4,500	4,500	1,266	-	10,266
Long term provisions	279	-	-	165	444
Total financial liability exposed to liquidity risk	76,473	4,914	1,266	165	82,818

(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.

35. Financial instruments (continued)

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

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

	At 30 June 2009	At 30 June 2008
	£'000	£'000
Receivables at cost:		
Cash and cash equivalents	87,416	68,241
Trade and other receivables	75,417	76,602
Financial assets at fair value through profit or loss:		
Financial investments	717	401
Available-for-sale financial assets:		
Financial investments	1,665	741
	165,215	145,985

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.

Group	Neither impaired nor past due £'000	0-3 months past due £'000	3-6 months past due £'000	6-12 months past due £'000	Over 12 months past due £'000	Total £'000
At 30 June 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
At 30 June 2008						
Trade and other receivables:-						
Trade receivables	55,629	7,582	215	131	63	63,620
Other receivables	367	-	3	-	1	371
Prepayments and accrued income	12,312	-	43	87	169	12,611
	68,308	7,582	261	218	233	76,602
Held for trading assets	401	-	-	-	-	401
Available-for-sale assets	741	-	-	-	-	741
	69,450	7,582	261	218	233	77,744

35. 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, £1.5 million (2008: £9.9 million) is due from financial institutions regulated by the FSA in the course of settlement as a result of daily trading and £4.3 million (2008: £4.4 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 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
At 30 June 2008				
Trade receivables	14,365	-	41,264	55,629
Other receivables	367	-	-	367
Prepayments and accrued income	8,952	1,224	2,136	12,312
Held for trading assets	401	-	-	401
Available-for-sale assets	741	-	-	741
	24,826	1,224	43,400	69,450

Capital management

Capital is defined as the total of share capital, share premium, retained earnings and other reserves. Total capital at 30 June 2009 was £84,650,000 (2008: £70,311,000) 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.

35. Financial instruments (continued)

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 £34 million at 30 June 2009 (2008: £25 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

Peter Hargreaves
Stephen Lansdown
Tracey Taylor (appointed 24 November 2008)

Non-Executive Directors

Jonathan Bloomer
Michael Evans
Jonathan Davis

Company Secretary

Simon Power

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

Kendal House
4 Brighton Mews
Clifton
Bristol
BS8 2NX

Website

www.H-L.co.uk

Company Number

02122142

Five Year Summary

	IFRS 2009	IFRS 2008	IFRS 2007	IFRS 2006	IFRS 2005
	£'000	£'000	£'000	£'000	£'000
Revenue	132,845	120,332	98,769	73,460	50,379
Administrative expenses	(63,038)	(62,553)	(58,098)	(49,190)	(37,290)
Share of results of associates	-	-	-	-	(3)
Underlying operating profit	69,807	57,779	40,671	24,270	13,086
Exceptional administrative expenses	-	-	(29,628)	(19,627)	(451)
Operating profit	69,807	57,779	11,043	4,643	12,635
Investment revenue	2,534	3,113	1,430	2,919	1,833
Other gains and losses	740	53	11,917	35	36
Profit before tax	73,081	60,945	24,390	7,597	14,504
Tax	(20,968)	(18,551)	(7,435)	(1,584)	(4,172)
Profit after tax	52,113	42,394	16,955	6,013	10,332
Equity minority interests	10	7	-	-	-
Profit for the financial year attributable to members of the parent company	52,123	42,401	16,955	6,013	10,332
Equity shareholders' funds	84,720	70,371	44,495	17,469	35,131
Weighted average number of shares for the purposes of diluted EPS (million)	469.32	470.98	474.32	474.32	474.32
	pence	pence	pence	pence	pence
Equity dividends per share paid during year	7.809	3.065	3.00	1.81	0.72
Basic earnings per share	11.2	9.1	3.6	1.4	2.2
Diluted earnings per share	11.1	9.0	3.6	1.3	2.2
Underlying basic earnings per share	11.0	9.1	6.5	4.5	2.2
Underlying diluted earnings per share	11.0	9.0	6.4	4.2	2.2

Issued by Hargreaves Lansdown plc
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Registered number: 02122142

Hargreaves Lansdown