REPORT AND ACCOUNTS

Hargreaves Lansdown PLC

JUNE 30, 1991

ERNST & YOUNG

Registered No. 2122142

DIRECTORS
P K Hargreaves FCA (Chairman and Joint Managing Director)
S P Lansdown FCA (Joint Managing Director)
H J Carden ACII
M T Barry BSc
C B Green ACII

SECRETARY
D A Osborne FCA FBIM

AUDITORS
Ernst & Young
One Bridewell Street
Bristol

BANKERS
Lloyds Bank plc
Regent Street
Clifton
Bristol

SOLICITORS
Brice & Co
145 Whiteladies Road
Clifton
Bristol

REGISTERED OFFICE
Embassy House
Queens Avenue
Clifton
Bristol

CHAIRMAN'S STATEMENT

I am pleased to submit my annual statement as Chairman of the Hargreaves Lansdown group of companies.

RESULTS

I am once again in a position to report increased turnover of £3,187,198 and a further increase in group profit before taxation. The group now has just two main operating companies and as warned in last year's statement the insurance broking subsidiary did suffer more from the recession than the investment related business.

During the year we took the opportunity of reviewing the group's income recognition policies and practices, which were originally adopted when Hargreaves Lansdown was formed. Our business has changed significantly since that time and we felt it appropriate to make certain changes in the methods of accounting for commission and interest, which has given us a one-off benefit of £250,000.

PERSONNEL

During the year our increased turnover and certain new ventures prompted us to increase our staff from 52 to 56. This has given opportunity for certain promotions in the firm and new senior positions created have all been filled from within.

Again I must thank all the staff and directors for their excellent efforts during the year and the commitment displayed in all departments.

PROSPECTS

The year ending June 1992 looks extremely promising. Not only have we identified organic areas of growth but we are currently exploring acquisition propositions.

Your board has been extremely patient in pursuing the acquisition of complementary businesses whereby subsequent to the stock market crash in 1987 many businesses were over-valued. The realisation of those values has now been modified and we have identified certain businesses which we feel are now more realistically valued.

During the year we have established our first branch office in Leicester and it is hoped that during 1992 we will explore the possibility of further branches. Again we have been extremely conservative in distribution of profits and decided once again not to declare a dividend but retain profits for acquisition and future expansion. The year has started quite well.

Peter K Hargreaves
Chairman

DIRECTORS' REPORT

The directors present their report, together with the audited accounts of the group, for the year ended June 30, 1991.

RESULTS AND DIVIDENDS

The group trading profit for the year, after taxation, amounted to £712,976 (1990 - £637,004). The directors recommend that no dividend be paid and the profit be transferred to reserves.

PRINCIPAL ACTIVITIES

The principal activities of the group are unit trust and equity broking, investment fund management, life assurance and pension consultancy and general insurance broking.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

A review of the business and future prospects are discussed in the Chairman's Statement on page 2.

FIXED ASSETS

Changes in fixed assets are shown in note 7 to the accounts.

DIRECTORS

The directors at June 30, 1991 and their interests in the share capital of the company (all beneficially held except those marked with an asterisk which are held as trustee) and in options to acquire shares of the company, during the year were as follows:

	At June 30, 1991 Ordinary Shares	*At July 1, 1990 Ordinary Shares*	*At June 30, 1991 Options*	*At July 1, 1990 Options*
P K Hargreaves	400,000	400,000	-	-
P K Hargreaves	* 340,295	* 340,295	-	-
S P Lansdown	400,000	400,000	-	-
S P Lansdown	* 340,295	* 340,295	-	-
M T Barry	41,421	41,421	15,000	15,000
H J Carden	43,006	43,006	-	-
C B Green	18,561	18,561	28,500	28,500

AUDITORS

Ernst & Young have expressed their willingness to continue in office as auditors and a resolution proposing their re-appointment will be submitted at the Annual General Meeting.

By order of the board

Secretary

ERNST & YOUNG

REPORT OF THE AUDITORS
to the members of Hargreaves Lansdown PLC

We have audited the accounts on pages 5 to 14 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group at June 30, 1991 and of the profit and source and application of funds of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst + Young

Chartered Accountants
Bristol

October 3, 1991

GROUP PROFIT AND LOSS ACCOUNT
for the year ended June 30, 1991

	Notes	*1991* £	*1990* £
TURNOVER	2	3,187,198	2,955,541
Other operating income		268,262	314,547
		3,455,460	3,270,088
Administrative expenses		2,758,986	2,324,518
Other external charges		88,801	169,942
		2,847,787	2,494,460
OPERATING PROFIT	3	607,673	775,628
Interest receivable	5	426,613	200,696
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,034,286	976,324
Tax on profit on ordinary activities	6	321,310	339,320
PROFIT FOR THE FINANCIAL YEAR	13	712,976	637,004

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GROUP BALANCE SHEET
at June 30, 1991

	Notes	1991 £	1990 £
FIXED ASSETS			
Tangible assets	7	286,413	282,937
CURRENT ASSETS			
Debtors	9	993,350	693,434
Investments	8	22,600	-
Cash at bank and in hand		3,250,233	2,708,397
		4,266,183	3,401,831
CREDITORS: amounts falling due within one year	10	1,755,814	1,605,763
NET CURRENT ASSETS		2,510,369	1,796,068
TOTAL ASSETS LESS CURRENT LIABILITIES		2,796,782	2,079,005
CREDITORS: amounts falling due after more than one year	11	27,449	22,648
		2,769,333	2,056,357
CAPITAL AND RESERVES			
Called up share capital	12	164,510	164,510
Share premium	13	1,505	1,505
Profit and loss account	13	2,603,318	1,890,342
		2,769,333	2,056,357

)
) Directors
)

October 3, 1991

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COMPANY BALANCE SHEET
at June 30, 1991

	Notes	1991 £	1990 £
FIXED ASSETS			
Tangible assets	7	163,643	171,812
Investments	8	160,000	160,000
		323,643	331,812
CURRENT ASSETS			
Debtors	9	176,715	123,379
Cash at bank		1,122,000	-
		1,298,715	123,379
CREDITORS: amounts falling due within one year	10	635,090	49,250
NET CURRENT ASSETS		663,625	74,129
		987,268	405,941
CAPITAL AND RESERVES			
Called up share capital	12	164,510	164,510
Share premium	13	1,505	1,505
Profit and loss account	13	821,253	239,926
		987,268	405,941

) Directors

October 3, 1991

GROUP STATEMENT OF SOURCE AND APPLICATION OF FUNDS
for the year ended June 30, 1991

	1991 £	*1990* £
SOURCE OF FUNDS		
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	1,034,286	976,324
Adjustments for items not involving the movement of funds:		
Depreciation	106,198	96,785
Loss/(profit) on disposal of fixed assets	(14,396)	(10,638)
FUNDS GENERATED FROM OPERATIONS	1,126,088	1,062,471
FUNDS FROM OTHER SOURCES		
Proceeds from disposal of fixed assets	28,500	26,261
Deferred income	127,717	103,536
	156,217	129,797
APPLICATION OF FUNDS		
Purchase of Investments	22,600	65,647
Purchase of tangible fixed assets	123,778	-
Corporation tax paid	339,417	98,963
	(485,795)	(164,610)
WORKING CAPITAL - INCREASE	796,510	1,027,658
COMPONENTS OF INCREASE IN WORKING CAPITAL		
Debtors	299,916	(31,043)
Creditors	(45,242)	(98,304)
	254,674	(129,347)
MOVEMENT IN NET LIQUID FUNDS		
Cash at bank and in hand	541,836	1,157,005
	796,510	1,027,658

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NOTES TO THE ACCOUNTS
at June 30, 1991

1. ACCOUNTING POLICIES

Accounting convention
The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

Basis of consolidation
The group accounts consolidate the accounts of Hargreaves Lansdown PLC and all its subsidiary undertakings made up to June 30 each year.

No profit and loss account is presented for Hargreaves Lansdown PLC as provided by S.230 of the Companies Act 1985.

Depreciation
Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its estimated useful life as follows:

Leasehold property	over the life of the lease
Office equipment	over 10 years
Computer equipment	over 3 to 4 years
Motor vehicles	over 4 years

Goodwill
Purchased goodwill is written off directly against reserves.

Leasing commitments
Rentals paid under operating leases are charged to income on a straight line basis over the term of the lease.

Deferred taxation
Deferred taxation is provided on the liability method on all timing differences which are expected to reverse in the future, calculated at the rate at which it is estimated that tax will be payable.

Income recognition
Commissions are deemed to be earned when the group has received settlement from the client and has settled with the institution providing the investment or insurance risk. Where commission is received on the indemnity basis, only that portion calculated as earned in the period is credited to profit and loss account.

2. TURNOVER

Turnover represents the amount of commission received from financial services supplied to clients and management fees charged to clients. It relates entirely to services provided in the UK and is stated net of value added tax.

3. OPERATING PROFIT

This is stated after charging/(crediting):	*1991* £	*1990* £
Directors' remuneration (see note 4)	811,517	492,499
Auditors' remuneration	18,000	16,000
Depreciation	106,198	96,785
Interest on settlement accounts	(170,559)	(263,799)
Operating lease rentals	118,290	55,912
Exceptional item - change in timing of commission recognition	(168,650)	-

NOTES TO THE ACCOUNTS
at June 30, 1991

4. STAFF COSTS

	1991	1990
	£	£
Wages and salaries	1,631,204	1,239,184
Social security costs	83,986	92,298
Other pension costs	14,256	12,389
	1,729,446	1,343,871

The average number of employees during the year was 56 (1990 - 52).

Directors' remuneration:

	1991	1990
	£	£
Fees	-	-
Other emoluments (including pension contributions)	811,517	492,499
	811,517	492,499

The emoluments, excluding pension contributions, of the chairman, who was also the highest paid director, were £307,500 (1990 - £153,016).

The emoluments of the other directors, excluding pension contributions, fell within the following bands:

	1991	1990
	No.	No.
£ 25,001 - £ 30,000	1	-
£ 40,001 - £ 45,000	-	1
£ 55,001 - £ 60,000	1	1
£ 70,001 - £ 75,000	-	1
£105,001 - £110,000	1	-
£150,001 - £155,000	-	1
£305,001 - £310,000	1	-

5. INTEREST RECEIVABLE

	1991	1990
	£	£
Bank interest	426,613	200,696

Until June 30, 1990 interest was accounted for on a received basis. From July 1, 1990 it has been accounted for on a receivable basis. As a result of this change in accounting policy, additional interest of £82,000 has been accounted for in the year to June 30, 1991.

NOTES TO THE ACCOUNTS
at June 30, 1991

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1991	*1990*
	£	£
Based on the profit for the year:		
Corporation tax at 33.2% (1990 - 34.1%)	326,000	341,000
Corporation tax overprovided in previous years	(4,690)	(1,680)
	321,310	339,320

7. TANGIBLE FIXED ASSETS

Group	*Short leasehold property*	*Office equipment*	*Computer equipment*	*Motor vehicles*	*Total*
	£	£	£	£	£
Cost:					
At July 1, 1990	16,000	147,439	110,160	199,526	473,125
Additions	-	31,049	11,758	80,971	123,778
Disposals	(16,000)	-	(2,315)	(54,401)	(72,716)
At June 30, 1991	-	178,488	119,603	226,096	524,187
Depreciation:					
At July 1, 1990	16,000	28,919	56,868	88,401	190,188
Provided during the year	-	17,991	31,825	56,382	106,198
Disposals	(16,000)	-	(1,155)	(41,457)	(58,612)
At June 30, 1991	-	46,910	87,538	103,326	237,774
Net book amount at June 30, 1991	-	131,578	32,065	122,770	286,413
Net book amount at July 1, 1990	-	118,520	53,292	111,125	282,937

Company	*Short leasehold property*	*Office equipment*	*Computer equipment*	*Total*
	£	£	£	£
Cost:				
At July 1, 1990	16,000	147,439	110,160	273,599
Additions	-	31,049	11,758	42,807
Disposals	(16,000)	-	(2,315)	(18,315)
At June 30, 1991	-	178,488	119,603	298,091
Depreciation:				
At July 1, 1990	16,000	28,919	56,868	101,787
Provided during the year	-	17,991	31,825	49,816
Disposals	(16,000)	-	(1,155)	(17,155)
At June 30, 1991	-	46,910	87,538	134,448
Net book value at June 30, 1991	-	131,578	32,065	163,643
Net book value at July 1, 1990	-	118,520	53,292	171,812

NOTES TO THE ACCOUNTS
at June 30, 1991

8. INVESTMENTS

Group

Current asset investments	*Listed on the Stock Exchange* £
Cost:	
At July 1, 1990	-
Additions	22,600
At June 30, 1991	22,600

The market value of the investments listed on the Stock Exchange at June 30, 1991 was £25,184.

Company

Subsidiary undertakings	*Shares at cost* £	*Amounts provided* £	*Total* £
At July 1, 1990 and June 30, 1991	170,900	(10,900)	160,000

The investments in the ordinary share capital of the subsidiary undertakings, all registered in England and wholly owned, were:

Name of company	*Nature of business*
Hargreaves Lansdown Asset Management Limited	Unit trust and equity broking, investment fund management, and life and pensions consultancy
Hargreaves Lansdown Insurance Brokers Limited	Insurance broking
Hargreaves Lansdown Stockbrokers Limited (formerly Hargreaves Lansdown Financial Management Limited)	Non-Trading
Hargreaves Lansdown School Fees Specialists Limited	Dormant
Professional Indemnity Insurance Consultants Limited	Dormant

9. DEBTORS

	Group 1991 £	1990 £	*Company* 1991 £	1990 £
Trade debtors	732,417	633,296	-	-
Amounts owed by subsidiary undertakings	-	-	176,715	123,379
Other debtors	5,046	-	-	-
Prepayments and accrued income	255,[illegible]7	60,138	-	-
	993,350	693,434	176,715	123,379

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NOTES TO THE ACCOUNTS
at June 30, 1991

10. CREDITORS: amounts falling due within one year

	Group 1991 £	Group 1990 £	Company 1991 £	Company 1990 £
Trade creditors	752,536	863,999	-	-
Amounts owed to subsidiary undertakings	-	-	611,090	32,250
Current corporation tax	322,893	341,000	21,000	13,000
Other taxes and social security costs	53,904	35,387	-	-
Other creditors	264,315	108,600	-	-
Accruals and deferred income	362,166	256,777	3,000	4,000
	1,755,814	1,605,763	635,090	49,250

11. CREDITORS: amounts falling due after more than one year

	Group 1991 £	Group 1990 £
Deferred income	27,449	22,648

12. SHARE CAPITAL

	Authorised 1991 No.	Authorised 1990 No.	Allotted, called up and fully paid 1991 £	Allotted, called up and fully paid 1990 £
Ordinary shares of 10p each	2,500,000	2,500,000	164,510	164,510

13. RESERVES

	Group profit and loss account £	Company profit and loss account £	Group and company share premium account £
At July 1, 1990	1,890,342	239,926	1,505
Profit for the financial year	712,976	581,327	-
At June 30, 1991	2,603,318	821,253	1,505

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NOTES TO THE ACCOUNTS
at June 30, 1991

14. OBLIGATIONS UNDER LEASES

The commitments in the year to June 30, 1992 under a non-cancellable operating lease are as follows:

	Leasehold property	
	1991	*1990*
	£	£
Operating lease which expires in five years	118,290	118,290

15. DEFERRED TAXATION

No provision has been made in the accounts for deferred taxation. The potential liability is as follows:

	1991	*1990*
	£	£
Capital allowances in advance of depreciation	29,900	14,700

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DETAILED COMPANY PROFIT AND LOSS ACCOUNT
for the year ended June 30, 1991

	1991 £	1990 £
INCOME		
Management fees	258,000	94,000
Interest receivable	66,184	-
	324,184	94,000
Depreciation	49,816	50,276
Directors remuneration	208,310	-
Loss on sale of fixed assets	860	2,262
Audit fee	3,000	4,000
	261,986	56,538
	62,198	37,462
Income from shares in group undertakings	539,949	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	602,147	37,462
Tax on profit on ordinary activities	(20,820)	(12,955)
PROFIT FOR THE YEAR	581,327	24,507

COMPANY PROFIT AND LOSS ACCOUNT
for the year ended June 30, 1991

	1991 £	*1990* £
TURNOVER	258,000	94,000
Administrative expenses	261,986	(56,538)
OPERATING (LOSS)/PROFIT	(3,986)	37,462
Income from shares in group companies	539,949	-
Interest receivable	66,184	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	602,147	37,462
Tax on profit on ordinary activities	(20,820)	(12,955)
PROFIT FOR THE YEAR	581,327	24,507