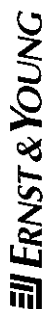


Hargreaves Lansdown PLC

Report and Accounts

30 June 1996

Registered Number - 2122142

 ERNST & YOUNG



DIRECTORS

P K Hargreaves FCA (Chairman and Joint Managing Director)

S P Lansdown FCA (Joint Managing Director)

M T Barry BSc

SECRETARY

D A Osborne FCA

AUDITORS

Ernst & Young

One Bridewell Street

Bristol

BANKERS

Lloyds Bank plc

Queens Road

Clifton

Bristol

SOLICITORS

Brice & Co

145 Whiteladies Road

Clifton

Bristol

REGISTERED OFFICE

Kendal House

4 Brighton Mews

Clifton

Bristol

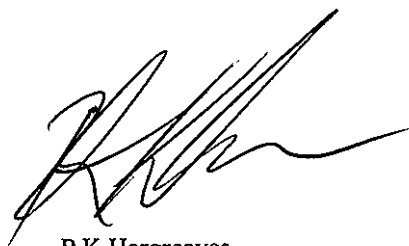
CHAIRMAN'S REPORT

Our year ended 30 June 1996 proved to be our best year of trading since our business started. However, the Financial Services industry is having to come to grips with the same problem that all British industry is suffering from, namely a reduction in margins.

Low inflation and low interest rates do stimulate a greater awareness of price, charges and value. Hargreaves Lansdown currently operates on significantly lower margins than ever in the past, fortunately volume has increased significantly and thus profits have not suffered. To handle all this extra business, we have significantly increased our complement of staff during the year. All divisions of the business have had a successful year and the group's quality of earnings has been much improved by the large increase in regular fee earnings which has been established during the year. Recurring income by means of renewals, and management fees, now represent a significant portion of group profitability and thus provide excellent stability to future earnings.

We believe during the year we have increased our market share, especially in the area of New Share Issues, PEPs and Investment Trust launches. We intend to continue and hopefully expand all our existing divisions and businesses, but we are currently examining ancillary areas which fit neatly into a Financial Services group.

Once again, we have found no need to recruit at a senior level from outside. Our bright, young team provide us with excellent prospects for senior management and we have, during the year, effected several promotions. Our biggest expense continues to be salaries and you can rest assured this area is of prime importance and receives the greatest care and attention.



P K Hargreaves

Chairman

27 September 1996

DIRECTORS' REPORT

The directors present their report, together with the audited accounts of the group, for the year ended 30 June 1996.

RESULTS AND DIVIDENDS

The group trading profit for the year, after taxation, amounted to £305,000 (1995 - £739,000). The directors declared a final dividend of 28p per share on 28 June 1996.

PRINCIPAL ACTIVITIES

The principal activities of the group are unit trust and equity broking, investment fund management, unit trust managers, 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.

CREDITOR PAYMENT POLICY

Payments are made on agreed terms and conditions for transactions with suppliers providing such terms and conditions are met by the suppliers.

DIRECTORS AND THEIR INTERESTS

The directors at 30 June 1996 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, were as follows:

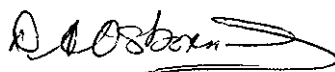
	<i>At 30 June 1996</i>	<i>At 1 July 1995</i>	<i>At 30 June 1996</i>	<i>At 1 July 1995</i>
	<i>Ordinary Shares</i>	<i>Ordinary Shares</i>	<i>Options</i>	<i>Options</i>
P K Hargreaves	740,295	740,295	-	-
S P Lansdown	715,295	715,295	-	-
S P Lansdown	* 25,000	* 25,000	-	-
M T Barry	41,421	41,421	15,000	15,000

Details of directors' material interests in contracts are given in the notes to the accounts.

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



D A Osborne

Secretary

27 September 1996

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE
ACCOUNTS

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the group and of the profit or loss of the group for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

REPORT OF THE AUDITORS
to the members of Hargreaves Lansdown PLC

We have audited the accounts on pages 6 to 17, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 10.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

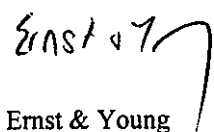
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group as at 30 June 1996 and of the result of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in dark ink, appearing to read 'Ernst & Young', with a large, stylized flourish extending from the end.

Ernst & Young
Chartered Accountants
Registered Auditor
Bristol

27 September 1996

Hargreaves Lansdown PLC

GROUP PROFIT AND LOSS ACCOUNT for the year ended 30 June 1996

	<i>Notes</i>	<i>1996 £000</i>	<i>1995 £000</i>
TURNOVER	2	11,662	8,132
Other operating income		663	450
		<u>12,325</u>	<u>8,582</u>
Administrative expenses		10,935	6,972
Other external charges		1,209	826
		<u>12,144</u>	<u>7,798</u>
OPERATING PROFIT	3	181	784
Income from interests in associated undertakings		11	-
Interest receivable	5	267	248
		<u>459</u>	<u>1,032</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			
Tax on profit on ordinary activities	6	(154)	(293)
		<u>305</u>	<u>739</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION			
Dividend paid		426	426
		<u>(121)</u>	<u>313</u>
(LOSS)/PROFIT RETAINED FOR THE FINANCIAL YEAR	14		

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 30 June 1996

There are no recognised gains or losses other than the profit on ordinary activities after taxation of £305,000 (1995 - £739,000).

Hargreaves Lansdown PLC

GROUP BALANCE SHEET at 30 June 1996

	<i>Notes</i>	<i>1996 £000</i>	<i>1995 £000</i>
FIXED ASSETS			
Tangible assets	7	491	370
Investments	8	1,068	1,000
		<u>1,559</u>	<u>1,370</u>
CURRENT ASSETS			
Debtors	9	5,043	2,441
Investments		75	-
Cash at bank and in hand	10	5,855	7,571
		<u>10,973</u>	<u>10,012</u>
CREDITORS: amounts falling due within one year	11	8,384	7,047
NET CURRENT ASSETS		<u>2,589</u>	<u>2,965</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>4,148</u>	<u>4,335</u>
CREDITORS: amounts falling due after more than one year	12	8	54
		<u>4,140</u>	<u>4,281</u>
CAPITAL AND RESERVES			
Called up share capital	13	152	152
Share premium	14	2	2
Capital redemption reserve	14	12	12
Profit and loss account	14	3,974	4,115
EQUITY SHAREHOLDERS' FUNDS		<u>4,140</u>	<u>4,281</u>



P K Hargreaves

- Director

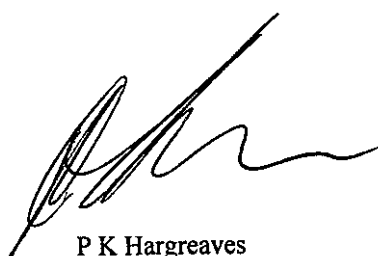
27 September 1996

Hargreaves Lansdown PLC

COMPANY BALANCE SHEET at 30 June 1996

	Notes	1996 £000	1995 £000
FIXED ASSETS			
Tangible assets	7	435	273
Investments	8	1,237	1,177
		<u>1,672</u>	<u>1,450</u>
CURRENT ASSETS			
Debtors	9	619	469
Cash at bank		1,122	1,090
		<u>1,741</u>	<u>1,559</u>
CREDITORS: amounts falling due within one year	11	1,655	933
NET CURRENT ASSETS		<u>86</u>	<u>626</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,758</u>	<u>2,076</u>
CAPITAL AND RESERVES			
Called up share capital	13	152	152
Share premium	14	2	2
Capital redemption reserve fund	14	12	12
Profit and loss account	14	1,592	1,910
EQUITY SHAREHOLDERS' FUNDS		<u>1,758</u>	<u>2,076</u>

ERNST & YOUNG



P K Hargreaves

- Director

27 September 1996

Hargreaves Lansdown PLC

GROUP CASH FLOW STATEMENT for the year ended 30 June 1996

	<i>Notes</i>	<i>1996</i> <i>£000</i>	<i>1995</i> <i>£000</i>
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	3(b)	(869)	3,657
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Bank interest received		267	248
Dividend paid		(426)	-
NET CASH (OUTFLOW)/INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(159)	248
TAXATION			
Corporation tax paid		(335)	(677)
INVESTING ACTIVITIES			
Payments to acquire tangible fixed assets		(274)	(274)
Payments to acquire investments		(80)	-
Receipts from sales of tangible fixed assets		1	44
NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES		(353)	(230)
NET CASH (OUTFLOW)/INFLOW BEFORE FINANCING		(1,716)	2,998
(DECREASE) /INCREASE IN CASH AND CASH EQUIVALENTS	10	(1,716)	2,998

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

Undertakings, other than subsidiary undertakings, in which the group has an investment and over which it is in a position to exercise a significant influence are treated as associated undertakings. The group accounts include the appropriate share of those undertakings' results.

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 using the liability method on all timing differences which are expected to reverse in the future without being replaced, 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, except in the case of the group's stockbroking, insurance broking and unit trust management subsidiary undertakings where income is on a trade date basis. Where commission is received on an indemnity basis, only that portion calculated as earned in the period is credited to the 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.

NOTES TO THE ACCOUNTS
at 30 June 1996

3. OPERATING PROFIT

(a) This is stated after charging/(crediting):

	1996 £000	1995 £000
Directors' remuneration (Note 4)	2,454	1,482
Auditors' remuneration - Audit fees *	28	28
- Non audit fees	10	4
Depreciation	153	138
Interest on settlement accounts	(222)	(94)
Operating lease rentals	204	215

* £2,700 (1995 - £3,000) of this relates to the company.

(b) Reconciliation of operating profit to net cash inflow from operating activities:

	1996 £000	1995 £000
Operating profit	181	784
Depreciation	153	138
Profit on disposal of tangible fixed assets	(1)	14
(Increase) in debtors	(2,602)	(865)
Increase in creditors	1,475	3,586
(Increase) in investments	(75)	-
Net cash (outflow)/inflow from operating activities	(869)	3,657

4. STAFF COSTS

	1996 £000	1995 £000
Wages and salaries	3,824	3,010
Social security costs	386	298
Other pension costs	439	22
	4,649	3,330

The average number of employees during the year was 88 (1995 - 79).

Directors' remuneration:

	1996 £000	1995 £000
Fees	-	-
Other emoluments (including pension contributions)	2,454	1,482
	2,454	1,482

The emoluments, excluding pension contributions, of the Chairman were £ 587,000 (1995 - £572,000).

The emoluments, excluding pension contributions, of the highest paid director were £668,000 (1995 - £565,000).

NOTES TO THE ACCOUNTS

at 30 June 1996

4. STAFF COSTS (continued)

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

	1996 No.	1995 No.
£290,000 - £295,000	-	1
£565,001 - £570,000	-	1
£570,001 - £575,000	-	1
£585,001 - £590,000	1	-
£595,001 - £600,000	1	-
£665,001 - £670,000	1	-

5. INTEREST RECEIVABLE

	1996 £000	1995 £000
Bank interest	267	248

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1996 £000	1995 £000
Based on the profit for the year:		
Corporation tax at 25.1 % (1995 - 27.4 %)	108	283
Corporation tax under provided in previous years	43	10
Associated undertakings	3	-
	154	293

7. TANGIBLE FIXED ASSETS

Group	Leasehold improvements £000	Tenants' fixtures £000	Office equipment £000	Computer equipment £000	Motor vehicles £000	Total £000
Cost:						
At 1 July 1995	18	38	220	177	292	745
Additions	17	21	89	133	14	274
Disposals	-	-	-	(8)	-	(8)
At 30 June 1996	35	59	309	302	306	1,011
Depreciation:						
At 1 July 1995	-	-	97	80	198	375
Provided during the year	2	4	31	62	54	153
Disposals	-	-	-	(8)	-	(8)
At 30 June 1996	2	4	128	134	252	520
Net book value:						
At 30 June 1996	33	55	181	168	54	491
At 1 July 1995	18	38	123	97	94	370

NOTES TO THE ACCOUNTS
at 30 June 1996

7. TANGIBLE FIXED ASSETS (continued)

<i>Company</i>	<i>Leasehold improvements £000</i>	<i>Tenants' fixtures £000</i>	<i>Office equipment £000</i>	<i>Computer equipment £000</i>	<i>Total £000</i>
Cost:					
At 1 July 1995	16	38	220	176	450
Additions	17	21	90	133	261
Disposals	-	-	-	(8)	(8)
At 30 June 1996	33	59	310	301	703
Depreciation:					
At 1 July 1995	-	-	97	80	177
Provided during the year	2	4	31	62	99
Disposals	-	-	-	(8)	(8)
At 30 June 1996	2	4	128	134	268
Net book value:					
At 30 June 1996	31	55	182	167	435
At 1 July 1995	16	38	123	96	273

8. INVESTMENTS

<i>Group</i>	<i>1996 £000</i>	<i>1995 £000</i>
Associated undertaking (a)	18	-
Other fixed asset investments (b)	1,050	1,000
	1,068	1,000

a) Associated undertaking:

	<i>Share of net tangible fixed assets £000</i>	<i>Goodwill £000</i>	<i>Total £000</i>
At 1 July 1995	-	-	-
Acquisitions during the year	10	20	30
Goodwill written off	-	(20)	(20)
Share of profit retained by associated undertakings	8	-	8
	18	-	18

b) Other fixed asset investments

	<i>Listed on the Stock Exchange £000</i>	<i>Unlisted £000</i>	<i>Total £000</i>
Cost and net book value:			
At 1 July 1995	1,000	-	1,000
Additions	-	50	50
At 30 June 1996	1,000	50	1,050

NOTES TO THE ACCOUNTS
at 30 June 1996

8. INVESTMENTS (continued)

<i>Company</i>	<i>Listed on the Stock Exchange £000</i>	<i>Unlisted</i> <i>£000</i>	<i>Subsidiary undertakings £000</i>	<i>Associated undertaking £000</i>	<i>Total £000</i>
Cost:					
At 1 July 1995	1,000	-	-	201	1,201
Additions	-	50	30	-	80
At 30 June 1996	<u>1,000</u>	<u>50</u>	<u>30</u>	<u>201</u>	<u>1,281</u>
Amounts provided:					
At 1 July 1995	-	-	-	24	24
Provided in year	-	-	20	-	20
At 30 June 1996	<u>-</u>	<u>-</u>	<u>20</u>	<u>24</u>	<u>44</u>
Net book value:					
At 30 June 1996	<u>1,000</u>	<u>50</u>	<u>10</u>	<u>177</u>	<u>1,237</u>
At 1 July 1995	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>177</u>	<u>1,177</u>

The listed investment had a market value at 30 June 1996 of £1,322,000 (1995 - £1,113,000).

The investment in the ordinary share capital of the wholly owned subsidiary undertaking is:

<i>Name of company</i>	<i>Nature of business</i>
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	Stockbroking
Hargreaves Lansdown Fund Managers Limited	Unit Trust Management
Hargreaves Lansdown Trustees Limited	Non Trading
Professional Indemnity Insurance Consultants Limited	Dormant

The investment in the ordinary share capital of the associated undertaking is:

<i>Name of company</i>	<i>Proportion of ordinary shares held</i>	<i>Nature of business</i>
Magic Breaks Limited	25%	Travel agents

Hargreaves Lansdown PLC

NOTES TO THE ACCOUNTS

at 30 June 1996

9. DEBTORS

	1996 £000	Group 1995 £000	1996 £000	Company 1995 £000
Trade debtors	4,309	2,140	-	-
Amounts owed by subsidiary undertakings	-	-	600	451
Other debtors	26	55	10	17
Prepayments and accrued income	708	246	9	1
	<u>5,043</u>	<u>2,441</u>	<u>619</u>	<u>469</u>

10. ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS

	1996 £000	1995 £000
Balance at 1 July	7,571	4,573
Net cash inflow/(outflow)	(1,716)	2,998
Balance at 30 June	<u>5,855</u>	<u>7,571</u>

11. CREDITORS: amounts falling due within one year

	1996 £000	Group 1995 £000	1996 £000	Company 1995 £000
Trade creditors	5,197	3,945	-	-
Amounts owed to subsidiary undertakings	-	-	1,060	125
Current corporation tax	109	293	-	106
Other taxes and social security costs	1,039	851	270	126
Other creditors	1,449	1,551	325	576
Accruals and deferred income	590	407	-	-
	<u>8,384</u>	<u>7,047</u>	<u>1,655</u>	<u>933</u>

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

	1996 £000	Group 1995 £000
Deferred income	8	54

13. SHARE CAPITAL

	1996 No.	Authorised 1995 No.	Allotted, called up and fully paid 1996 £000	1995 £000
Ordinary shares of 10p each	2,500,000	2,500,000	152	152

NOTES TO THE ACCOUNTS

at 30 June 1996

14. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Share capital £000	Share premium account £000	Capital redemption reserve £000	Profit and loss account £000	To total £000
<i>Group</i>					
At 1 July 1994	152	2	12	3,802	3,968
Profit for the financial year	-	-	-	313	313
At 1 July 1995	152	2	12	4,115	4,281
Loss for the financial year	-	-	-	(121)	(121)
Goodwill written off	-	-	-	(20)	(20)
At 30 June 1996	152	2	12	3,974	4,140
<i>Company</i>					
At 1 July 1994	152	2	12	1,136	1,302
Profit for the financial year	-	-	-	774	774
At 1 July 1995	152	2	12	1,910	2,076
Loss for the financial year	-	-	-	(318)	(318)
At 30 June 1996	152	2	12	1,592	1,758

The profit dealt with in the accounts of the parent company was £108,000 (1995 - £1,200,000).

15. OBLIGATIONS UNDER LEASES

Group

The annual commitment under a non-cancellable operating lease for land and buildings is as follows:

	1996 £000	1995 £000
Operating lease which expires: In more than five years	258	215

16. DEFERRED TAXATION

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

	<i>Group</i>		<i>Company</i>	
	1996 £000	1995 £000	1996 £000	1995 £000
Capital allowances in advance of depreciation and timing differences relating to interest receivable	88	28	56	27

NOTES TO THE ACCOUNTS

at 30 June 1996

17. CONTINGENT LIABILITIES

The group undertakes pensions consultancy work as part of its normal business. In so doing, advice may have been given in respect of pension transfers and pensions opt out business. In October 1995 the Securities and Investments Board (SIB) announced details of a programme to secure redress for people wrongly sold such pension business between 1988 and 1995. In guidance from the regulators of the relevant firms the SIB set out a framework for the active review by firms of past pension business. The review programme is expected to take at least two years to complete.

The company has considered the costs of the review and the possible costs of rectification. However, no provision for such costs has been made in the accounts because the directors are of the opinion that claims, if any, would be negligible.

18. CONTRACTS OF SIGNIFICANCE

The company has entered into a lease with P K Hargreaves and S P Lansdown for Kendal House at an annual rental of £252,000.