HARGREAVES LANSDOWN PLC

Report and Accounts

30 June 2002

Registered Number - 2122142

DIRECTORS
P K Hargreaves FCA (Chief Executive Officer)
S P Lansdown FCA (Chairman)
M T Barry BSc
N J Bence BA
M J Mulligan ACA

SECRETARY
T P Taylor FCCA

AUDITORS
Ernst & Young LLP
One Bridewell Street
Bristol

BANKERS
Lloyds Bank plc
Queens Road
Clifton
Bristol

REGISTERED OFFICE
Kendal House
4 Brighton Mews
Clifton
Bristol

CHAIRMAN'S REPORT

This trading year has seen the world turned upside down following the terrorist attacks on the World Trade Centre and the continuation of a severe bear market in world equity markets. Investor confidence is at a low ebb and despite the prospect of ever increasing regulation in the financial services sector, it is pleasing to report a year of continued growth for the group.

We must be unique in the broking market to be able to report increased turnover during what must go down as one of the most trying years in the group's history. My fellow directors and staff once again deserve tremendous praise for their efforts in keeping morale high and the business growing.

In the twelve months since launch, our Vantage PEP and ISA service has become a market leader; offering clients the ability to hold shares, bonds or funds within their PEPs or ISAs. Vantage offers an ability to easily monitor and administer portfolios and has been well received by existing and new clients alike. The Vantage concept continues to grow with the launch of the Vantage Fund and Share Account during the year.

Hargreaves Lansdown Stockbrokers have continued to increase their market share in very difficult trading circumstances, enhanced by the constant improvements to our online trading facility and the reputation for value service and convenience of use.

A major success during this financial year has been the growth of our pensions business. We have firmly established ourselves as a leading broker in stakeholder pensions whilst at the same time building very strong associations with a number of large companies including many leading household names to operate their group schemes and organise annuities for their members. The ability to provide quality advice as well as execute high volume business at low margins continues to open up significant market opportunities.

Publications such as the Investment Times and the Performance and Discount Review plus the ever increasing quality of our website ensures we maintain our position as the leading marketing driven broker providing first class information to clients.

I am again pleased to report that we have been recognised within the industry by receiving numerous awards especially the awards which are voted for by investors.

As we move into the new financial year it is difficult to be anything other than concerned about the outlook for stock markets and investor confidence. We will however continue to work hard to build our market share through Vantage and new lines of business through our pensions and private client divisions. The Board is considering offering services which are less investor orientated which will nevertheless reside sensibly within our brand. We are well placed to meet the requirements set out in the Sandler Report and the proposals set out in Consultative Paper 121 as issued by the Financial Services Authority and expect our private client division to expand accordingly. We are probably facing the most difficult period in our history but we do so with the confidence that we have a sound financial base and highly qualified and motivated staff to continue expanding the business.

Chairman

Date 21 October 2002

DIRECTORS' REPORT

The directors present their report, together with the audited accounts of the group, for the year ended 30 June 2002.

RESULTS AND DIVIDENDS

The group trading profit for the year, after taxation, amounted to £3,174,000 (2001 - £4,725,000). A final ordinary dividend of £443,000 is proposed (2001 - £442,000).

PRINCIPAL ACTIVITIES

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

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

A review of the business and future prospects are discussed in the Chairman's Statement on page 3.

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. The number of creditors days at the year end was 38.

DIRECTORS AND THEIR INTERESTS

The directors at 30 June 2002, and at the date of this report, 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:

	At 30 June 2002 Ordinary Shares	*At 1 July 2001 Ordinary Shares*	*At 30 June 2002 Options*	*At 1 July 2001 Options*
P K Hargreaves	690,295	690,295	-	-
P K Hargreaves*	50,000	50,000	-	-
S P Lansdown	715,295	715,295	-	-
S P Lansdown*	25,000	25,000	-	-
M T Barry	85,571	85,571	3,000	3,000
N J Bence	-	-	3,000	3,000
M J Mulligan	-	-	3,000	3,000

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

GENERAL INFORMATION

Information concerning employees and their remuneration is given in note 4. Consultative procedures enable management and other employees to discuss matters of mutual interest, including health and safety. Through these procedures and departmental channels, employees are kept informed about Group affairs.

It is the Group's policy to encourage the employment, training and career development of disabled persons. If employees became disabled every effort is made for them to continue in employment or receive appropriate training. In order to safeguard its employees, the Group pursues a policy, which seeks to achieve, as far as practically possible, secure working environments and training standards at all operating locations.

DIRECTORS' REPORT

AUDITORS

A resolution to re-appoint Ernst & Young LLP as the company's auditor will be submitted at the forthcoming Annual General Meeting.

By order of the board

T Taylor
Secretary

2nd October 2002

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 company and 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.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF HARGREAVES LANSDOWN PLC

We have audited the Group's accounts for the year ended 30 June 2002, which comprise the Group Profit and Loss Account, Group Statement of Total Recognised Gains and Losses, Group Balance Sheet, Company Balance Sheet, Group Cash Flow Statement, and the related notes 1 to 22. These accounts have been prepared on the basis of the accounting policies therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities, the Company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the accounts, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of Audit Opinion

We conducted our audit in accordance with United Kingdom 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 financial statements. 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 contained 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 2002 and of the profit for the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Bristol

Date 2 October 2002

GROUP PROFIT AND LOSS ACCOUNT
for the year ended 30 June 2002

	Notes	2002 £000	2001 £000
GROUP TURNOVER			
Continuing operations	2	39,545	35,201
Other operating income		1,717	1,948
		41,262	37,149
Administrative expenses		38,452	33,691
GROUP OPERATING PROFIT			
Continuing operations	3	2,810	3,458
Gain on intra-group transfer of net assets to former subsidiary undertaking		-	1,861
Profit on disposal of fixed assets		731	-
Share of associates' operating profit		125	42
Income from other fixed asset investments		190	28
Interest receivable and similar income	5	619	785
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		4,475	6,174
Tax on profit on ordinary activities	6	1,301	1,449
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		3,174	4,725
Equity minority interests	22	82	39
PROFIT FOR THE FINANCIAL YEAR ATTRIBUTABLE TO THE MEMBERS OF THE PARENT UNDERTAKING		3,092	4,686
Equity dividend paid		443	442
PROFIT RETAINED FOR THE FINANCIAL YEAR	16	2,649	4,244

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 30 June 2002

There are no recognised gains or losses in either year other than the profit on ordinary activities after taxation for that year. 2002 - £ 3,174,000 (2001 - £4,725,000).

The notes on pages 12 to 24 form part of these financial statements

GROUP BALANCE SHEET
at 30 June 2002

	Notes	2002 £000	2001 £000
FIXED ASSETS			
Intangible assets	7	360	-
Tangible assets	8	1,855	2,374
Investments	9	3,602	1,603
		5,817	3,977
CURRENT ASSETS			
Debtors			
Due within one year	10	17,123	13,913
Due after one year	10	563	500
Investments	9	89	254
Cash at bank and in hand	11	19,152	19,022
		36,927	33,689
CREDITORS: amounts falling due within one year	12	24,198	22,395
NET CURRENT ASSETS		12,729	11,294
TOTAL ASSETS LESS CURRENT LIABILITIES		18,546	15,271
CREDITORS: amounts falling due after more than one year	13	1,122	782
PROVISIONS FOR LIABILITIES AND CHARGES	14	584	380
NET ASSETS		16,840	14,109
EQUITY MINORITY INTERESTS	22	126	44
		16,714	14,065
CAPITAL AND RESERVES			
Called up share capital	15, 16	165	165
Share premium account	16	795	795
Capital redemption reserve	16	12	12
Other reserves	16	-	-
Profit and loss account	16	15,742	13,093
EQUITY SHAREHOLDERS' FUNDS	16	16,714	14,065

The notes on pages 12 to 24 form part of these financial statements

COMPANY BALANCE SHEET
at 30 June 2002

	Notes	2002 £000	2001 £000
FIXED ASSETS			
Tangible assets	8	1,027	1,543
Investments	9	3,753	1,663
		4,780	3,206
CURRENT ASSETS			
Debtors	10	1,837	2,310
Cash at bank and in hand	11	1,679	1,066
		3,516	3,376
CREDITORS: amounts falling due within one year	12	6,580	4,530
NET CURRENT LIABILITIES		(3,064)	(1,154)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,716	2,052
CAPITAL AND RESERVES			
Called up share capital	15, 16	165	165
Share premium	16	795	795
Capital redemption reserve fund	16	12	12
Other reserve	16	-	-
Profit and loss account	16	744	1,080
EQUITY SHAREHOLDERS' FUNDS	16	1,716	2,052

The financial statements were approved by the board of directors on 2nd October 2002 and signed on its behalf by:

- Director

2nd October 2002

The notes on pages 12 to 24 form part of these financial statements

GROUP CASH FLOW STATEMENT
for the year ended 30 June 2002

	Notes	2002 £000	2001 £000
NET CASH INFLOW FROM OPERATING ACTIVITIES	3(b)	2,974	4,801
DIVIDENDS RECEIVED FROM JOINT VENTURES, ASSOCIATES AND FORMER SUBSIDIARY		13	2,037
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		619	785
Dividends received		190	-
		809	785
UK CORPORATION TAX PAID		(1,745)	(1,304)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Payments to purchase tangible fixed assets		(615)	(2,029)
Receipts from sale of tangible fixed assets		45	94
Purchase of own shares		(15)	-
Payments to acquire investments		(1,718)	-
Receipts from sale of investments		731	-
		(1,572)	(1,935)
ACQUISITIONS AND DISPOSALS			
Cash in former subsidiary undertaking		-	(658)
Investment in associates		(514)	-
		(514)	(658)
EQUITY DIVIDENDS PAID		-	(442)
CASH (OUTFLOW)/INFLOW BEFORE USE OF LIQUID RESOURCES AND FINANCING		(35)	3,284
MANAGEMENT OF LIQUID RESOURCES			
Disposal of securities		165	29
FINANCING			
Issue of ordinary shares		-	65
INCREASE IN CASH IN THE PERIOD	11	130	3,378

The notes on pages 12 to 24 form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year, with the exception of deferred taxation. In previous years deferred taxation has been accounted for on a partial provision basis in accordance with the accounting standard then in force, and is now accounted for on a full provision basis in accordance with the current accounting standard. The prior year results have not been restated for the effect of this change, as the effect of this change is not significant.

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 Section 230 of the Companies Act 1985. The profit on ordinary activities after taxation dealt with in the financial statements of the parent company, Hargreaves Lansdown Plc, is £105,000 (2001 - profit of £242,000).

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 and are accounted for using the equity method. The group accounts include the appropriate share of those undertakings' results. Any unamortised balance of goodwill is included in the carrying value of the investment in associates.

The assets and liabilities of the Hargreaves Lansdown Employee Benefit Trust ('HL EBT') have been treated as belonging directly to Hargreaves Lansdown PLC and are accordingly included within the company's balance sheet in accordance with UITF 13 - Accounting for ESOP Trusts.

Depreciation
Depreciation is provided, where material, 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 and 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

Goodwill
Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life of 20 years. Provision is made for any impairment.

Negative goodwill is similarly included in the balance sheet and is credited to the profit and loss account in the periods expected to benefit.

Goodwill arising on acquisitions in the year ended 30 June 1997 and earlier periods was written off to reserves in accordance with the accounting standard then in force. As permitted by the current accounting standard any goodwill previously written off to reserves has not been reinstated in the balance sheet.

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

Taxation
Current tax, including UK corporation tax, is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted by the balance sheet date.

Deferred taxation
Deferred taxation is recognised, where material, in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is 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.

Investments
Investments are stated at the lower of cost or market value at the balance sheet date.

Pensions
The Company operates a group personal pension plan for staff and a small self administered pension plan for the controlling directors. Contributions are charged in the profit and loss account as they become payable.

Website development costs
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.

Foreign currency
Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. The results of operations denominated in foreign currencies are translates using the average rate of exchange during the period and their balance sheets at the rates ruling at the balance sheet date. Exchange differences are included in the profit and loss account.

2. TURNOVER

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

NOTES TO THE FINANCIAL STATEMENTS

3. OPERATING PROFIT

3a) Operating profit is stated after charging/(crediting)

	2002	2001
	£000	*£000*
Auditors' remuneration - Audit fees *	58	52
- Non audit fees	14	75
Depreciation of owned fixed assets	1,089	901
Interest on settlement accounts	(1,714)	(1,348)
Operating lease rentals – land and buildings	302	302

*£4,500 (2001 - £4,000) of this relates to the company.

3b) Reconciliation of operating profit to operating cash flows

	2002	*2001*
	£000	*£000*
Operating profit	2,810	3,458
Depreciation of fixed assets	1,089	901
Profit on disposal of fixed assets	-	(32)
Movement in debtors	(3,273)	(3,892)
Movement in creditors	2,218	4,366
Movement in provisions	130	-
Net cash inflow from continuing operating activities	2,974	4,801

4. STAFF COSTS AND DIRECTORS REMUNERATION

The group operates an Inland Revenue approved share option scheme and sharesave scheme, and an unapproved share option scheme, and has taken advantage of the exemption given in UITF Abstract 17 *Employee Share Schemes* from recognising a charge in the profit and loss account for the discount on the options.

	2002	*2001*
	No.	*No.*
The average number of employees during the year was:	318	275

Their aggregate remuneration comprised:	*£000*	*£000*
Wages and salaries	17,037	14,180
Social security costs	1,820	1,549
Other pension costs	165	136
	19,022	15,865

NOTES TO THE FINANCIAL STATEMENTS

4. DIRECTORS' REMUNERATION (CONTINUED)

The emoluments, excluding pension contributions, of the highest paid director were £2,391,095 (2001 - £2,377,847) and pension contributions amounted to £46,490 (2001 - £46,960).

	2002	2001
Total directors' remuneration comprised:	£000	£000
Emoluments	6,357	5,939
Pension costs	82	79
	6,439	6,018

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	2002	2001
	£000	£000
Bank interest	619	785

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2002	2001
	£000	£000
The tax charge comprises:		
Current tax		
UK Corporation tax	1,130	1,372
Payment for consortia losses	70	-
Corporation tax under provided in previous years	(6)	5
Total current tax	1,194	1,377
Deferred tax		
Origination and reversal of timing differences	74	60
Share of associates' tax	33	12
Total tax on profit on ordinary activities	1,301	1,449

The difference between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2002	2001
	£000	£000
Profit on ordinary activities before taxation	4,475	6,174
Less: share of associates' profit before tax	(125)	(42)
Group profit on ordinary activities before taxation	4,350	6,132

NOTES TO THE FINANCIAL STATEMENTS

6. TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

The group earns its profits in the UK therefore the tax rate used is the standard rate for UK corporation tax, currently 30%.

Tax on group profit on ordinary activities at standard UK corporation tax rate of 30%	1,305	1,840
Effects of:		
Expenses not deductible for tax purposes	256	142
Capital allowances in advance of depreciation	92	25
Utilisation of consortia losses	(74)	-
Payment for consortia losses	70	-
Income not subject to tax	(449)	(635)
Adjustments to tax charge in respect of prior periods	(6)	5
Group current tax charge for period	1,194	1,377

7. INTANGIBLE FIXED ASSETS: GOODWILL

Group

Cost and net book value	*2002* *£000*	*2001* *£000*
At 1 July 2001	-	-
Additions	360	-
Disposals	-	-
At 30 June 2002	360	-

During the year the group made investments in two companies, Broker Focus Limited and Easy2Trade Plc. The net assets at the date of acquisition were as follows:

	Book value and fair value £000
Tangible fixed assets	97
Debtors	131
Cash	388
Total assets	616
Creditors due within one year	(372)
Creditors due after more than one year	(90)
Net assets	154
Goodwill arising on acquisition	360
Cost of acquisition	514

NOTES TO THE FINANCIAL STATEMENTS

8. TANGIBLE FIXED ASSETS

Group

	Leasehold improvements £000	*Tenants' fixtures £000*	*Office equipment £000*	*Computer equipment & software £000*	*Motor vehicles £000*	*Total £000*
Cost:						
At 1 July 2001	34	357	878	2,400	288	3,957
Additions	-	3	41	500	71	615
Disposals	-	-	(4)	(72)	(67)	(143)
At 30 June 2002	34	360	915	2,828	292	4,429
Depreciation:						
At 1 July 2001	16	85	239	1,149	94	1,583
Provided during the year	3	36	93	884	73	1,089
Disposals	-	-	-	(71)	(27)	(98)
At 30 June 2002	19	121	332	1,962	140	2,574
Net book value:						
At 30 June 2002	15	239	583	866	152	1,855
At 1 July 2001	18	272	639	1,251	194	2,374

Company

	Leasehold improvements £000	*Tenants' fixtures £000*	*Office equipment £000*	*Computer equipment & software £000*	*Total £000*
Cost:					
At 1 July 2001	34	324	682	1,312	2,352
Additions	-	3	-	17	20
Disposals	-	-	-	(64)	(64)
At 30 June 2002	34	327	682	1,265	2,308
Depreciation:					
At 1 July 2001	16	82	207	504	809
Provided during the year	3	33	68	432	536
Disposals	-	-	-	(64)	(64)
At 30 June 2002	19	115	275	872	1,281
Net book value:					
At 30 June 2002	15	212	407	393	1,027
At 1 July 2001	18	242	475	808	1,543

NOTES TO THE FINANCIAL STATEMENTS

9. INVESTMENTS

Group	*2002*	*2001*
	£000	*£000*
Fixed asset investments		
Associated undertakings	291	60
Other fixed asset investments	3,278	1,525
Investments in own shares	33	18
Total fixed asset investments	3,602	1,603
Current asset investments		
Listed investments at market value	89	254

The market value of current asset investments were not significantly different from their cost.

Associated undertakings	*2002*	*2001*
	£000	*£000*
Share of net tangible assets of associates at 1 July	60	57
Fair value of acquisitions	154	-
Share of profit retained by associated undertaking		
Existing operations	85	3
Acquisitions	(8)	-
Amortisation of goodwill	-	-
Share of net tangible assets of associates at 30 June	291	60

Other fixed asset investments	*Listed on the Stock Exchange*	*Unlisted*	*Total*
	£000	*£000*	*£000*
Cost and net book value:			
At 1 July 2001	1,000	525	1,525
Additions	-	1,753	1,753
Disposals	-	-	-
At 30 June 2002	1,000	2,278	3,278

In addition, at 30 June 2002, a subsidiary undertaking held 100,000 shares in the London Stock Exchange which were allocated to that company at nil cost, which have a market value of £4,115,000 at 30 June 2002.

The other listed investments had a market value at 30 June 2002 of £ 2,018,600 (2001 - £1,929,500). If they had been sold at this value there would have been a liability to corporation tax of £ 305,400 (2001 - £278,850) on the capital gain arising.

NOTES TO THE FINANCIAL STATEMENTS

9. INVESTMENTS (CONTINUED)

Investments in own shares	2002 *£000*	2001 *£000*
At 1 July 2001	18	18
Additions	15	-
At 30 June 2002	33	18

The investment in the company's own shares is held by the Hargreaves Lansdown Employee Benefit Trust and have been treated as belonging directly to Hargreaves Lansdown PLC in accordance with UITF 13 - Accounting for ESOP Trusts. Accordingly the investments have been included within the company's balance sheet.

Company

	Listed on the Stock Exchange *£000*	*Unlisted* *£000*	*Associated undertakings* *£000*	*Subsidiary undertakings* *£000*	*Own shares* *£000*	*Total* *£000*
Cost:						
At 1 July 2001	1,000	463	30	188	18	1,699
Additions	-	1,961	514	-	15	2,490
Disposals	-	(400)	-	-	-	(400)
At 30 June 2002	1,000	2,024	544	188	33	3,789
Amounts provided:						
At 1 July 2001	-	12	-	24	-	36
Provided in the year	-	-	-	-	-	-
At 30 June 2002	-	12	-	24	-	36
Net book value:						
At 30 June 2002	1,000	2,012	544	164	33	3,753
At 1 July 2001	1,000	450	30	165	18	1,663

The listed investments had a market value at 30 June 2002 of £ 2,018,600 (2001 - £1,929,500). If they had been sold at this value there would have been a liability to corporation tax of £ 305,400 (2001 - £278,850) on the capital gain arising.

NOTES TO THE FINANCIAL STATEMENTS

9. INVESTMENTS (CONTINUED)

Name of company	*Country of incorporation*	*Shares held*	*Nature of business*
The company has investments in the following principal subsidiary undertakings:			
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		75%	Pension broking
Hargreaves Lansdown Pensions Trustees Limited		100%	Dormant
Saturn Investment Management Ltd		100%	Non-trading
Hargreaves Lansdown (Nominees) Ltd		100%	Non-trading
Hargreaves Lansdown EBT Trustees Ltd		100%	Trustee of Hargreaves Lansdown Employee Benefit Trust

Hargreaves Lansdown Insurance Brokers Limited ceased to be a subsidiary undertaking on 21 July 2000 as a result of that company issuing shares to parties other than Hargreaves Lansdown PLC and its group.

The company and group have investments in the following associated undertakings, each with financial year ends of 30 June unless otherwise stated:

Magic Breaks Limited (year end is 31 October)	25%	Travel agents
Broker Focus Limited	40%	Software developers
Easy2Trade Plc	25%	Internet futures broker

10. DEBTORS

		Group		*Company*
	2002	*2001*	*2002*	*2001*
Due in less than one year:	*£000*	*£000*	*£000*	*£000*
Trade debtors	14,044	12,214	-	-
Amounts owed by subsidiary undertakings	-	-	1,592	2,042
Other debtors	793	98	16	-
Prepayments and accrued income	2,286	1,601	166	268
	17,123	13,913	1,774	2,310
Due in more than one year:				
Other debtors	563	500	63	-
	17,686	14,413	1,837	2,310

NOTES TO THE FINANCIAL STATEMENTS

11. ANALYSIS AND RECONCILIATION OF NET FUNDS

	At 1 July 2001 £000	*Cash flow £000*	*At 30 June 2002 £000*
Group			
Cash at bank and in hand	19,022	130	19,152
Company			
Cash at bank and in hand	1,066	613	1,679
Cash of HL EBT	-	-	-
	1,066	613	1,679

		Group
Movement in net funds	2002 *£000*	2001 *£000*
Increase in cash in the period	130	3,378
Net liquid funds at 1 July	19,022	15,644
Net liquid funds at 30 June	19,152	19,022

12. CREDITORS: amounts falling due within one year

		Group		*Company*
	2002 £000	*2001 £000*	*2002 £000*	*2001 £000*
Trade creditors	11,358	10,862	-	-
Amounts owed to subsidiary undertakings	-	-	1,585	54
Amounts owed to associates		-	-	-
Corporation tax	481	999	-	-
Other taxes and social security costs	1,742	1,519	473	476
Other creditors	9,053	7,998	4,482	4,000
Accruals and deferred income	1,564	1,017	40	-
	24,198	22,395	6,580	4,530

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

		Group
	2002 £000	*2001 £000*
Other creditors (note 19)	1,122	782

NOTES TO THE FINANCIAL STATEMENTS

14. PROVISIONS FOR LIABILITIES AND CHARGES

Group

	Deferred taxation *£000*	*Commission on indemnity terms* *£000*	*Total* *£000*
At 1 July 2001	305	75	380
Charge to the profit and loss account for the year	74	130	204
At 30 June 2002	379	205	584

Deferred tax is provided as follows:	*2002* *£000*	*2001* *£000*
Accelerated capital allowances	(40)	(40)
Other timing differences	419	345
	379	305

15. SHARE CAPITAL

	2002 *£000*	*2001* *£000*
Authorised:		
2,500,000 ordinary shares of 10p each	250	250

	2002 *No.*	*2001* *No.*	*2002* *£000*	*2001* *£000*
Allotted, called up and fully paid:				
Ordinary shares of 10p each	1,649,911	1,649,911	165	165

Options granted under the Inland Revenue approved share option schemes to subscribe for ordinary shares of the company are as follows:

Number of shares under option	*Subscription price per share*	*Exercise period*
21,000	£10.00	up to 10 December 2010
21,905	£10.00	up to 1 June 2007
20,910	£10.00	up to 1 May 2006
24,084	£ 7.50	up to 1 April 2005
23,211	£ 6.86	up to 1 April 2004

16. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

Group	*Share capital £000*	*Share premium £000*	*Capital redemption reserve £000*	*Other reserves £000*	*Profit and loss account £000*	*Total £000*
At 1 July 2000	162	523	12	210	8,849	9,756
Profit for the financial year	-	-	-	-	4,686	4,686
Dividend payable	-	-	-	-	(442)	(442)
Issue of ordinary shares	1	64	-	-	-	65
Issue of ordinary shares	2	208	-	(210)	-	-
At 1 July 2001	165	795	12	-	13,093	14,065
Profit for the financial year	-	-	-	-	3,092	3,092
Dividend payable	-	-	-	-	(443)	(443)
At 30 June 2002	165	795	12	-	15,742	16,714

Company	*Share capital £000*	*Share premium £000*	*Capital redemption reserve £000*	*Other reserves £000*	*Profit and loss account £000*	*Total £000*
At 1 July 2000	162	523	12	210	1,280	2,187
Loss for the financial year	-	-	-	-	242	242
Dividend payable	-	-	-	-	(442)	(442)
Issue of ordinary shares	1	64	-	-	-	65
Issue of ordinary shares	2	208	-	(210)	-	-
At 1 July 2001	165	795	12	-	1,080	2,052
Profit for the financial year	-	-	-	-	107	107
Dividend payable	-	-	-	-	(443)	(443)
At 30 June 2002	165	795	12	-	744	1,716

Shares to be issued to the Hargreaves Lansdown Employee Benefit Trust are accounted for under the heading 'Other reserves' above. See Note 18 for further explanation.

17. OBLIGATIONS UNDER LEASES

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

Group and Company	*2002 £000*	*2001 £000*
Operating lease which expires:		
In more than five years	302	302

18. HARGREAVES LANSDOWN EMPLOYEE BENEFIT TRUST

The Hargreaves Lansdown Employee Benefit Trust was set up by the company on 30 June 1997 in order to encourage and facilitate the holding of shares in the company by employees.

During the year ended 30 June 2002, the Hargreaves Lansdown Employee Benefit Trust purchased 1,500 ordinary 10p shares at a cost of £15,000.

19. CONTINGENT LIABILITIES

Included within other creditors (see note 13) is £1,122,000 relating to amounts contributed by employees into the group phantom share scheme, plus national insurance costs. The amount payable to employees is dependent on the share valuation of Hargreaves Lansdown Plc at the time the employee withdraws from the scheme.

No provision has been made for the surplus or deficit, as the amount is uncertain. If all amounts were withdrawn at 30 June 2002, the estimated additional liability would be £122,100.

20. SPLIT CAPITAL INVESTMENT TRUSTS

The Financial Services Authority are currently investigating the split capital investment trust sector. It remains to be seen whether any action or claims will be made against the group, but the directors are confident the group has undertaken its responsibility to investors with probity and professionalism at all times.

21. RELATED PARTY TRANSACTIONS

The company is party to a lease with P K Hargreaves and S P Lansdown, who are both directors of the company, for Kendal House at an annual rental of £302,400. No amount was outstanding at the year end.

During the year the group purchased software development and annual software licenses from Broker Focus Limited, an associated undertaking, in the ordinary course of business at a cost of £299,589. At 30 June 2002, £11,567 was owed by Broker Focus Limited to Hargreaves Lansdown Asset Management Limited.

The company made a secured interest-free long-term loan of £63,335 to Mr S McGuirk who is a director and shareholder of Broker Focus Limited, an associated undertaking. £63,335 is outstanding at the year end and is included within long term debtors.

22. MINORITY INTERESTS

The minority interest represents a 25% holding in Hargreaves Lansdown Pensions Direct Limited, held by a director of Hargreaves Lansdown Pensions Direct Limited.