

This document comprises a prospectus relating to Hargreaves Lansdown Plc (“Company”) prepared in accordance with the Prospectus Rules made by the Financial Services Authority (“FSA”) under Part VI of the Financial Services and Markets Act 2000 (“FSMA”). A copy of this Prospectus has been filed with the FSA in accordance with Rule 3.2 of the Prospectus Rules.

The Company and the Directors, whose names appear on page 19 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), such information is in accordance with the facts and does not omit anything likely to affect the import of such information.

Application has been made to the FSA in its capacity as competent authority under FSMA (“UK Listing Authority”) and to the London Stock Exchange plc (“London Stock Exchange”) for all of the issued ordinary share capital of the Company described in this Prospectus to be admitted to the Official List of the UK Listing Authority (the “Official List”) and to trading on the London Stock Exchange’s main market for listed securities (“Admission”). No application has been made or is currently intended to be made for the Ordinary Shares to be admitted to listing or dealt in on any other exchange. Conditional dealings in the Ordinary Shares (as unlisted securities) are expected to commence on 15 May 2007. It is expected that Admission will become effective and that unconditional dealings in the Ordinary Shares will commence at 8.00am (London time) on Friday 18 May 2007 (International Security Identification Number: GB00B1VZ0M25). Dealings on the London Stock Exchange before Admission will only be settled if Admission takes place. **All dealings before the commencement of unconditional dealings will be of no effect if Admission does not take place and such dealings will be at the sole risk of the parties concerned.**

The whole text of this Prospectus should be read. For a discussion of certain risks and other factors that should be considered in connection with an investment in Ordinary Shares, see Part II (“Risk Factors”) of this document.

HARGREAVES LANSDOWN Plc

(incorporated in England and Wales under the Companies Act 1985 with registered number 02122142)

Offer of 118,579,725 Ordinary Shares of 0.4p each at a price expected to be between 140p and 160p per Ordinary Share and Admission of 474,318,625 Ordinary Shares to the Official List and to trading on the London Stock Exchange

Sole global co-ordinator, sole bookrunner, sponsor and co-lead manager

Citi

Financial adviser

Lexicon Partners Limited

Co-lead manager

Numis Securities Limited

Ordinary Share capital immediately following Admission

<i>Authorised</i>			<i>Issued and fully paid</i>	
<i>Number</i>	<i>Amount</i>	Ordinary Shares of	<i>Number</i>	<i>Amount</i>
525,000,000	£2,100,000	0.4 pence each	474,318,625	£1,897,274.50

The Offer Shares are concurrently being offered to certain clients and employees of the Group in the United Kingdom through the Qualifying Offer, and to institutional investors in the UK and elsewhere outside the United States in reliance on Regulation S of the US Securities Act of 1933 (the “Securities Act”) through the Institutional Offer. The Offer Shares have not been and will not be registered under the Securities Act. Details of the Offer are set out in Part VII (“Details of the Offer”) of this document. If you are in any doubt as to whether or not to apply for Offer Shares, you should ask for your own financial advice from your stockbroker, bank manager, accountant or other independent duly authorised adviser. No member of the Group is able to give you such financial advice in relation to the Offer Shares.

Each of Citi, Lexicon and Numis, which are authorised and regulated in the United Kingdom by the FSA, are advising the Company in relation to the Offer and no one else and will not be responsible to anyone other than the Company for providing the protection afforded to their respective customers nor for providing any advice in relation to the Offer, the contents of this Prospectus or any transaction or arrangement referred to herein.

The Offer Shares have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States or under the applicable securities laws of Australia, Canada or Japan. Accordingly, the Offer Shares may not be offered or sold directly or indirectly in or into the United States, Australia, Canada or Japan or to or for the account or benefit of any national, resident or citizen of Australia, Canada or Japan except as determined by the Company in its sole discretion and pursuant to applicable laws. This document does not constitute an offer of, or the solicitation of an offer to buy, any Ordinary Shares to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction. Persons outside the United Kingdom into whose possession this document comes are required by the Company and Citi to inform themselves about and to observe any restrictions as to the offer or sale of Ordinary Shares and the distribution of this document.

CONTENTS AND DISTRIBUTION OF THIS PROSPECTUS

Any reproduction or distribution of this Prospectus, in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than considering an investment in the Ordinary Shares offered hereby is prohibited, except to the extent such information is otherwise publicly available. Each person receiving a copy of this Prospectus by accepting delivery of this Prospectus agrees to the foregoing.

The distribution of this Prospectus and offer and sale of the Offer Shares in certain jurisdictions may be restricted by law. No action has been taken by the Company, the Selling Shareholders or the Joint Lead Managers that would permit a public offer of Ordinary Shares or possession or distribution of this Prospectus where action for that purpose is required, other than in the United Kingdom. Persons into whose possession this Prospectus comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. This Prospectus does not constitute an offer of, or an invitation to purchase, any Ordinary Shares in any jurisdiction in which such offers or invitation would be unlawful. This Prospectus does not constitute an offer to sell or the solicitation of any offer to buy any securities other than the securities to which it relates or an offer to sell or the solicitation of an offer to buy such securities by any person in any circumstances in which such offer or solicitation is unlawful.

You should rely only on the information given in this document. The contents of the Group's website do not form part of this Prospectus and investors should not rely on any such information in respect of the Offer. No person has been authorised to give any information or to make any representation other than those contained in this Prospectus in connection with the Offer and, if given or made, such information or representation must not be relied upon as having been authorised by or on behalf of the Company, the Selling Shareholders or the Joint Lead Managers. Without prejudice to any obligation of the Company to publish a supplementary prospectus pursuant to section 87G FSMA and Prospectus Rule 3.4.1, neither the delivery of this Prospectus at any time nor any sale made under this Prospectus shall, under any circumstances, create any implication that there has been no change in the business or affairs of the Company or of the Company and its subsidiaries and affiliates taken as a whole since the date hereof or that the information contained herein is correct as of any time subsequent to its date.

The information contained in this Prospectus has been provided by the Company. Neither of the Joint Lead Managers makes any representation, express or implied, or accepts responsibility with respect to the accuracy or completeness of any of the information in this Prospectus. This Prospectus is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Company, the Selling Shareholders or the Joint Lead Managers that any recipient of this Prospectus should purchase the Offer Shares. Each potential purchaser of Offer Shares should determine for itself the relevance of the information contained in this Prospectus and its purchase of Offer Shares should be based upon such investigation as it deems necessary.

The financial information relating to the Company set out in Part VI of this document and otherwise in this document does not comprise statutory accounts as referred to in section 240 of the Act.

The contents of this Prospectus are not to be construed as legal, financial or tax advice. Each prospective investor should consult its own solicitor, financial adviser or tax adviser for legal, financial or tax advice.

The Offer Price may be set within, above or below the Indicative Offer Price Range. Applications received in respect of the Qualifying Offer are irrevocable and are based on the amount the applicant wishes to invest and not a number of Offer Shares or the Offer Price. Applications, once received, cannot be withdrawn if there is a change to the Indicative Offer Price Range or if the Offer Price is set above or below this range unless, by reason of the materiality of such change or the extent of deviation from such range, a supplementary prospectus is required to be published in accordance with Section 87G FSMA. Further details in respect of supplementary prospectuses can be found in paragraph 1.1 of Part VII (“Details of the Offer”) of this document. Following determination of the Offer Price, a pricing supplement will be published setting out, *inter alia*, the Offer Price.

EUROPEAN ECONOMIC AREA

In relation to each member state of the European Economic Area that has implemented the Prospectus Directive (each, a relevant member state), with effect from and including the date on which the Prospectus Directive is implemented in that relevant member state (the relevant implementation date), an offer of the Offer Shares described in this Prospectus may not be made to the public in that relevant member state prior to the publication of a prospectus in relation to the Offer Shares that has been approved by the competent authority in that relevant member state or, where appropriate, approved in another relevant member state and notified to the competent authority in that relevant member state, all in accordance with the Prospectus Directive, except that, with effect from and including the relevant implementation date, an offer of securities may be offered to the public in that relevant member state at any time: (a) to any legal entity that is authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities; or (b) to any legal entity that has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or (c) in any other circumstances that do not require the publication of a prospectus pursuant to Article 3 of the Prospectus Directive.

Each purchaser of the Offer Shares described in this Prospectus located within a relevant member state will be deemed to have represented, acknowledged and agreed that it is a “qualified investor” within the meaning of Article 2(1)(e) of the Prospectus Directive.

For purposes of this provision, the expression an “offer to the public” in any relevant member state means the communication in any form and by any means of sufficient information on the terms of the offer and the securities to be offered so as to enable an investor to decide to purchase or subscribe the securities, as the expression may be varied in that member state by any measure implementing the Prospectus Directive in that member state, and the expression “Prospectus Directive” means Directive 2003/71/EC and includes any relevant implementing measure in each relevant member state.

The Selling Shareholders have not authorised and do not authorise the making of any offer of the Offer Shares through any financial intermediary on their behalf, other than offers made by the Underwriters with a view to the final placement of the Offer Shares as contemplated in this Prospectus. Accordingly, no purchaser of the Offer Shares, other than the Underwriters, is authorised to make any further offer of the Offer Shares on behalf of the Selling Shareholders or the Underwriters.

TABLE OF CONTENTS

	<i>Page</i>	
Part I	Summary	5
Part II	Risk Factors	11
	Directors, Secretary, Registered Office and Advisers	19
	Offer and Admission Statistics	21
	Expected Timetable of Principal Events	22
Part III	Information on the Group	23
Part IV	Directors and Senior Managers	48
Part V	Operating and Financial Review	52
Part VI	Financial Information on the Group	89
Part VII	Details of the Offer	123
Part VIII	Terms and Conditions of Application for the Qualifying Offer	129
Part IX	Compliance and Regulation	136
Part X	Additional Information	140
Definitions		172
Glossary		176

Part I

Summary

The following summary of key information should be read as an introduction to and in conjunction with the full text of the Prospectus from which it is derived. Any decision to invest in the Ordinary Shares should be based on consideration of this Prospectus as a whole. Where a claim relating to the information contained in this Prospectus is brought before a court in a member state of the European Economic Area ("EEA"), the claimant may, under the national legislation of the EEA state in which the claim is brought, be required to bear the cost of translating this Prospectus before legal proceedings are initiated. Civil liability attaches to those persons who are responsible for this summary, including any translation of this summary, but only if this summary is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus.

1 THE BUSINESS OF HARGREAVES LANSDOWN

1.1 Overview

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

Founded in 1981 by Peter Hargreaves and Stephen Lansdown, 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 has over 350,000 active clients.

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.

As at 31 March 2007, Vantage administered £7.4 billion of assets directly on behalf of private investors. By this measure, the Directors believe that Vantage is the largest fund supermarket and wrap platform for the private investor in the UK.

In addition to offering externally managed investment products, Hargreaves Lansdown manages £1.1 billion of funds through its own range of multi-manager funds and PMS, the Group's discretionary portfolio management service, of which some £400 million is held within Vantage.

In total, including over £200 million administered through other nominee services of the Group, Hargreaves Lansdown had £8.3 billion of assets under administration on behalf of private investors as at 31 March 2007.

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

Hargreaves Lansdown has an established record of delivering strong financial performance:

- In its most recent financial year, ended 30 June 2006, the Group recorded a 46 per cent. increase in turnover to £73.5 million and an 85 per cent. increase in underlying group operating profit (group operating profit excluding exceptional, non-recurring administrative expenses) to £24.3 million.
- In the six months to 31 December 2006, the Group recorded a 35 per cent. increase in turnover to £43.3 million and a 58 per cent. increase in underlying group operating profit to £17.2 million.
- Overall, the Group has achieved a compound annual growth in revenues of 20 per cent. over the last decade and 29 per cent. over the last three years.

The Group is based in Bristol and as at 31 March 2007 had 655 employees. Certain of the Group's subsidiaries are authorised and regulated in the UK by the FSA.

1.2 Business model

Hargreaves Lansdown's business model is focused on the private investor and covers a wide range of activities including distribution, wrap platform provision, investment management, research, provision of tax wrappers, stockbroking and advisory services.

In providing this breadth of services direct to the private investor, Hargreaves Lansdown offers a compelling proposition for clients. It also represents a differentiated business model which enables it to capture a greater proportion of the revenues arising from each client's portfolio of investments. This diversifies Hargreaves Lansdown's earnings streams, enhances its margins and improves client recruitment and retention.

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. Hargreaves Lansdown provides its 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.

The Directors believe that this business model, together with the Group's significant purchasing power, enables it to retain a greater share of the annual management charge, also known as renewal commission, from fund providers than it would through acting solely as a fund distributor or a fund platform provider. Hargreaves Lansdown in turn strengthens its 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. In the year ended 30 June 2006, loyalty bonuses to clients totalled £6.4 million.

The Hargreaves Lansdown business model therefore allows the Group to offer highly competitive prices to its clients and achieve strong profitability.

Hargreaves Lansdown is focused on increasing the proportion of its revenues which are recurring in nature. Recurring revenues include the share of annual management charges from fund providers and investment management charges from the Group's own multi-manager funds and PMS. This approach has enhanced the alignment of interest with the Group's clients and improved the quality of its earnings. In the year ended 30 June 2006, 61 per cent. of the Group's revenues were recurring in nature. In the six month period ended 31 December 2006, this proportion had increased to 67 per cent.

For management and reporting purposes, Hargreaves Lansdown's operations are divided into the following five business units: Vantage, Third Party, Discretionary, Advisory and Stockbroking.

In the financial year ended 30 June 2006, the contribution of each of the business units to Group revenue was as follows:

	<i>30 June</i>	
	<i>2006</i>	<i>% of Group</i>
	<i>£'m</i>	<i>%</i>
Vantage	35.2	48
Third Party	17.1	23
Discretionary	4.4	6
Advisory	8.2	11
Stockbroking	7.5	10
Central Services	1.1	2
	<hr/>	<hr/>
Total	73.5	100
	<hr/> <hr/>	<hr/> <hr/>

1.3 *Key strengths*

The Directors believe that Hargreaves Lansdown's key strengths include the following:

- a differentiated direct business model;
- a robust business model with resilient retail assets predominantly invested in tax efficient wrappers;
- an incumbent position as the largest direct-to-private investor fund supermarket and wrap platform in the UK;
- its position as a leading SIPP provider;
- a strong and visible brand;
- client focus with direct client relationships;
- a powerful distribution capability;

- a track record of innovation;
- strong technology;
- an established compliance culture and risk management procedures;
- a long track record of strong and profitable organic growth;
- a high proportion of recurring revenues;
- a high Operating Profit Margin and scaleable business model;
- strong cash generation;
- excellent growth prospects;
- an experienced management team with a proven track record; and
- significant management and employee ownership.

1.4 *Business strategy*

Hargreaves Lansdown's strategy is to increase revenue and earnings and create shareholder value by being the leading provider of investment management products and services to private investors in the UK.

In particular, Hargreaves Lansdown will focus on:

- growing assets held in Vantage;
- increasing funds under management in Hargreaves Lansdown's multi-manager funds and discretionary portfolio management service;
- improving the share of annual management charges received from fund providers;
- enhancing earnings' quality;
- heightening the visibility of the Hargreaves Lansdown brand;
- continuing to provide high quality services to its clients and increasing online usage; and
- cost control and increasing operating efficiency.

1.5 *Market background*

The Directors believe that a combination of demographic and fiscal factors, including an ageing and increasingly wealthy population, pressure on state pension provision, pensions reforms and a growing awareness of the need to save for retirement, are likely to underpin growing demand for investment and pension products and increasing use of wrap platforms by private investors.

The Directors believe that the Group is well-positioned to capitalise on the growth opportunities available in view of its client-focused approach, its differentiated business model which supports competitive prices for clients and attractive profitability for shareholders, its breadth of high quality services specific to the private investor and its marketing expertise and entrepreneurial culture.

2 SUMMARY FINANCIAL INFORMATION

2.1 *Summary assets under administration*

The following table shows the change in the Group's assets under administration from 30 June 2004 to 31 December 2006. This has been extracted without material adjustment from Part V ("Operating and Financial Review") of this Prospectus.

	<i>30 June 2004</i>	<i>30 June 2005</i>	<i>30 June 2006</i>	<i>31 December 2005</i>	<i>31 December 2006</i>
	<i>£'m</i>	<i>£'m</i>	<i>£'m</i>	<i>£'m</i>	<i>£'m</i>
Assets under administration	2,915	4,086	6,082	5,002	7,473

2.2 Summary historical financial information

The summary financial information set out below has been extracted without material adjustment from the financial information set out in Part VI of this Prospectus. You should read the whole of this Prospectus and should not rely solely on key or summarised information.

	Year ended 30 June 2004 £'000	Year ended 30 June 2005 £'000	Year ended 30 June 2006 £'000	6 months ended 31 December 2005 Unaudited £'000	6 months ended 31 December 2006 £'000
Total operating income	42,520	50,379	73,460	32,192	43,341
Administrative expenses	(32,591)	(37,290)	(49,190)	(21,315)	(26,165)
Exceptional administrative expenses	(3,903)	(451)	(19,627)	—	(336)
Total administrative expenses	(36,494)	(37,741)	(68,817)	(21,315)	(26,501)
Share of results of associates	(57)	(3)	—	—	—
Total operating costs	(36,551)	(37,744)	(68,817)	(21,315)	(26,501)
Operating profit	5,969	12,635	4,643	10,877	16,840
Analysed as:					
Operating profit before exceptional administrative expenses	9,872	13,086	24,270	10,877	17,176
Exceptional administrative expenses	(3,903)	(451)	(19,627)	—	(336)
Operating profit	5,969	12,635	4,643	10,877	16,840
Investment revenues	840	1,833	2,919	719	492
Other gains and losses	—	36	35	—	3,196
Profit before tax	6,809	14,504	7,597	11,596	20,528
Tax	(1,876)	(4,172)	(1,584)	(3,255)	(6,405)
Profit for the period	4,933	10,332	6,013	8,341	14,123

The summary financial information above is in respect of continuing operations.

2.3 Current trading and prospects

Since 31 December 2006, the Group has continued to trade in line with the Directors' expectations and they view the Group's financial and trading prospects for the current financial year ending 30 June 2007 with confidence.

In the 2006/07 tax year (ended 5 April 2007), the Group achieved record sales of ISAs and SIPPs:

- new ISA contributions totalled approximately £420 million, compared to £314 million in the 2005/06 tax year, an increase of over 30 per cent.; and
- investments into SIPPs (including transferred business) totalled approximately £720 million, more than three and a half times the £193 million raised in the 2005/06 tax year.

In total, the Group achieved gross new business inflows to Vantage of £2.3 billion in the 2006/7 tax year, an increase of some 75 per cent. over the prior tax year. As at 31 March 2007, assets under administration within Vantage totalled £7.4 billion (£6.6 billion as at 31 December 2006).

The Group has a scaleable business model and has increased its Operating Profit Margin from 23 per cent. in the financial year ended 30 June 2004 to 33 per cent. in the financial year ended 30 June 2006. The Directors believe that the Group's business model allows further scope to expand its Operating Profit Margin.

Looking ahead, the Directors believe that the growth prospects for Hargreaves Lansdown are attractive, subject to satisfactory market conditions.

2.4 *Dividend policy*

The Directors intend to adopt a progressive dividend policy that will reflect the long-term earnings and cash flow potential of the Group as well as the Group's currently modest investment and regulatory capital requirements. In respect of the financial year ending 30 June 2008, the Directors expect that the interim and final dividend will, in aggregate, represent not less than 60 per cent. of profit after tax.

There will be no final dividend paid in respect of the financial year ending 30 June 2007.

In circumstances where capital is accumulated in the Group which the Directors believe to be surplus to the Group's requirements, the Directors intend to return surplus capital to shareholders in an appropriate manner, including by way of special dividend.

3 THE OFFER

3.1 *Details of the Offer*

No new Ordinary Shares are being issued by the Company. The Offer comprises an offer to certain clients and employees of the Group in the United Kingdom and to institutional investors in the United Kingdom and elsewhere outside the United States. The Selling Shareholders will sell 118,579,725 Ordinary Shares pursuant to the Offer representing in aggregate 25 per cent. of the issued share capital of the Company on Admission. Under the Offer, the Offer Shares will be sold at the Offer Price which is expected to be announced on 15 May 2007.

Application will be made to the FSA for the entire issued ordinary share capital of the Company to be admitted to the Official List and to the London Stock Exchange for all such Ordinary Shares to be admitted to trading on the London Stock Exchange's main market for listed securities.

3.2 *Reasons for the Offer*

Admission of the Ordinary Shares to the Official List will enhance the Group's profile and status with existing and potential clients. In addition, obtaining a market quotation for the Ordinary Shares will enhance the Group's strategic flexibility and provide an additional incentivisation mechanism for retaining and attracting existing and future employees. The Offer will also provide existing Shareholders with a market for their Ordinary Shares and an opportunity to realise part of their investment.

3.3 *Lock-up arrangements*

The Ordinary Shares beneficially owned by the Directors, Senior Managers and employees are subject to certain lock-up arrangements.

The lock-up arrangements for the Directors and Senior Managers will apply to Ordinary Shares beneficially owned by such persons on Admission. Subject to certain exceptions, unless the Joint Lead Managers agree, no more than one quarter of such Ordinary Shares may be sold following publication of the Company's preliminary financial results for each of the financial years ending 30 June 2008, 30 June 2009, 30 June 2010 and 30 June 2011.

In addition, other employee shareholders are subject to certain lock-up arrangements for either one or two years following Admission.

4 ADDITIONAL INFORMATION

4.1 *Major Shareholders*

Based on information as at 27 April 2007, being the latest practicable date prior to publication of this Prospectus, the only substantial Shareholders following Admission who, directly or indirectly, will be interested in three per cent. or more of the Ordinary Share Capital are Peter Hargreaves, Stephen Lansdown and the Trustee of the EBT.

5 RISK FACTORS

- 5.1 Prior to making an investment decision in respect of Ordinary Shares, prospective investors should carefully consider all the information in this Prospectus, including the risk factors referred to below. Additional risks not currently known to the Company or that the Company currently considers to be immaterial may also impair the Group's business operations. The business, financial condition or results of operations of the Group could be materially adversely

affected by any of these risks. The trading price of the Ordinary Shares could decline due to any of these risks and investors could lose part or all of their investment. The risks set out below are in no order of importance or priority.

Risks relating to the Group and its business

- fluctuations in capital markets;
- loss of, or inability to recruit, key personnel;
- no assurance that the growth that the Group has achieved to date will continue;
- damage to the Group's reputation;
- reliance on bespoke software for the Company's principal information technology systems;
- failure to develop or enhance the Group's information systems;
- errors, breakdowns or security breaches in respect of the Group's information technology systems;
- liability arising under data protection laws from any system security breaches;
- failure of the Group's operational infrastructure to keep pace with market improvements;
- inability to protect or enforce intellectual property rights;
- vulnerability to 'boiler room' scams;
- exposure to insurance claims in respect of which the Group's insurance arrangements may not be adequate;
- the Group has not historically carried out a formal financial forecasting process;
- disruption resulting from probable requirement to relocate premises;
- inadequacy of disaster recovery;
- impact of loss of certain records;
- failure to maintain investment performance of in-house managed funds;
- tax risks; and
- inadequate monitoring of suspicious activity.

Risks relating to the market

- impact of regulatory non-compliance or change in regulation;
- changes in tax law;
- competitive pressures; and
- changes in client demographics.

Risks relating to the Ordinary Shares

- the price of Ordinary Shares may be volatile and investors may not be able to sell their Ordinary Shares at or above the price they pay for them;
- fluctuations in the price of Ordinary Shares;
- effects of exchange rate fluctuations;
- ability of the Company's Directors, Senior Managers and employees as significant shareholders to exert influence over the outcome of matters relating to the Group's business;
- availability of Ordinary Shares for future sale could depress the share price; and
- fluctuations in, or inability to pay, dividends.

Part II

Risk Factors

Any investment in the Ordinary Shares is subject to a number of risks. Before making any investment decision, prospective investors should carefully consider the factors and risks attaching to an investment in the Ordinary Shares, together with all other information contained in this document including, in particular, the risk factors detailed below. The information below does not purport to be exhaustive because additional risks and uncertainties not presently known to the Group, or that the Group currently deems immaterial, may also have an adverse effect on its business. Investors should consider carefully whether an investment in the Ordinary Shares is suitable for them in light of the information in this document and their personal circumstances.

1 RISKS RELATING TO THE GROUP AND ITS BUSINESS

1.1 *Fluctuations in capital markets*

Fluctuations in capital markets may adversely affect the value of the Group's assets under administration or management, from which it derives revenues, as well as investor confidence. A dramatic or sustained decline in capital markets may prompt investors to sell investments administered or managed by Hargreaves Lansdown or render potential investors less willing to make new investments and render it more difficult for the Group to attract new assets under administration or management or provide advisory services in relation to such investments, in each case having an adverse effect on the financial position and prospects of the Group. Further, such a decline would adversely affect revenues received on an annual or other recurring basis calculated by reference to the value of such assets under administration or management.

1.2 *The Group has been dependent on the continued services of its senior management team and key personnel for the growth and success of the business. 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*

The Group's operations have been dependent on the experience, skills and knowledge of its executive officers and senior management, including the Chief Executive and the Chairman, who provide expertise and experience in the implementation of the Group's strategy and its ability to attract and retain business. While most senior employees of the Group are subject to employment agreements which include certain restrictions that seek to prevent them from being engaged in any business that competes with the Group or from soliciting employees or customers of the Group or from making use of confidential information, these agreements do not preclude these employees from terminating their employment at any time. Furthermore, certain restrictions may not be fully enforceable at law or may only apply for a limited time. The loss of the Group's key personnel may cause a significant disruption to the Group's business, resulting in an adverse effect on the Group's operations, including the Group's ability to establish and maintain relationships with clients and financial institutions or implement the Group's strategy which could adversely affect the Group's business, results of operations or financial condition.

The Group does not presently have key man insurance in place in relation to any of its Directors, Senior Managers or employees. The Group has put in place succession planning measures aimed at enabling the development of its employees to provide successors over time. However there can be no assurance that these measures will be successful or that the Group will be able to attract, develop or retain executives of the right calibre. The ability of the Group to meet its operational requirements and future growth and profitability may be affected by any inability to attract, develop or retain such executives.

1.3 *There can be no assurances that the growth that the Group has achieved to date will continue*

The Group has achieved substantial growth in revenues and profits (excluding exceptional administrative expenses) in recent years. This growth is substantially derived from the growth in assets administered and managed by the Group over this period. There can be no assurance that the Group will be able to continue this growth, either as a result of increasing new business volumes or otherwise, to maintain its financial performance either at historical or anticipated future levels.

1.4 *Damage to the Group's reputation, including as a result of employee misconduct, failure to manage inside information or conflicts of interest, fraud or improper practice could have a material adverse effect on the Group's business, results of operations or financial condition*

The Group's reputation is one of its most important assets. Its relationships with its clients, financial institutions, investors and other significant market participants are very important to its business, and it operates in an industry where integrity and trust and confidence of customers are paramount. Any deterioration in the opinion of the Group held by one or more of these market participants could lead to a loss of business or a failure to attract new investment and business. For example, the Group is exposed to the risk that litigation, regulatory action, misconduct, operational failures, negative publicity or press speculation, whether or not valid, could harm its reputation. Factors which could adversely affect the Group's reputation include but are not limited to:

- (a) *Fraud, misconduct or improper practice by any of the Group's employees, including non-compliance with regulatory procedures:* such actions can be particularly detrimental in the provision of financial services and could involve, for example, fraudulent transactions entered into for a client's account, diversion of funds, the intentional or inadvertent release of confidential information or failure to follow internal procedures. Such actions could expose the Group to financial losses resulting from the need to reimburse customers or other business partners or as a result of fines or other regulatory sanctions, and may significantly damage the Group's reputation.
- (b) *Failure to manage inside information:* the Group frequently executes trades on behalf of its clients in funds and other financial products. As part of such trades, the Group may receive certain inside information. If the Group does not sufficiently control the use of this inside information or any other inside information it receives, the Group and/or its employees could be subject to investigation and criminal or civil liability.
- (c) *Failure to manage conflicts of interest:* as the Group has expanded the scope of its business and client base, it is increasingly exposed to potential conflicts of interest. If the Group fails, or appears to fail, to deal appropriately with such conflicts, it could face significant damage to its reputation, litigation or regulatory proceedings.
- (d) *Fraud, misconduct or improper practice by any of the Group's clients or other persons (including persons to whom the Group outsources certain functions):* although not attributable to the Group, such actions could draw adverse publicity to the Group and lead to regulatory scrutiny of its systems and controls in relation to taking on clients and monitoring their activities or its outsourced functions.

Damage to the Group's reputation as a result of these or other factors could have a material adverse effect on its business, results of operations or financial condition.

1.5 *The Group's principal information technology systems, which facilitate critical parts of the business process, including customer relationship management and trading functionality, run on bespoke software designed and written by the Group or by companies now within the Group*

As such, the Group is particularly reliant upon its own staff for the maintenance, repair and upgrading of such systems and newly recruited staff require training on such systems. In consequence the Group could be particularly vulnerable to the departure of certain key staff in this area and to any inadequacies in its internal operational and/or instructional manuals relating to such systems. Reliance on a number of key individuals could also exacerbate the effects of system failures referred to in 1.6 below.

1.6 *The Group depends on its information systems and a failure of the Group to develop or enhance its information systems could interrupt the Group's ability to deliver its services*

The Group's success depends in part upon its ability to store, retrieve, process and manage substantial amounts of information. To achieve its strategic objectives and to remain competitive, the Group must continue to develop and enhance its information systems, which may require the acquisition of equipment and software and the development, either internally or through independent consultants, of new proprietary software. No assurance can be given that the Group will be able to continue to design, develop, implement or utilise, in a cost-effective manner, information systems that provide the capabilities necessary for the Group to compete

effectively. Any failure in this regard or any interruption to or deterioration in the performance of services provided by the Group or other third parties, for any reason, could have a material adverse effect on the Group's business, financial condition and results of operations.

1.7 *Serious errors, breakdowns or security breaches in respect of the Group's information technology systems could lead to material adverse effects on the Group's business*

If serious breaches, errors or breakdowns in the Group's information technology systems are prolonged or occur on a regular basis then the Group could lose the goodwill of its customers, and could also materially breach contracts it has with its customers. Additionally, such breaches could render the Group liable to disciplinary action by governmental and regulatory authorities, as well as to claims by its clients. The Group may also be required to spend significant additional resources and devote significant amounts of management time to modify its protective measures or to investigate and remediate vulnerabilities or other exposures. Such liability or additional costs could have a material adverse effect on the Group's business, results of operations or financial condition.

1.8 *Any system security breaches could lead to liability under data protection laws*

The Group processes sensitive personal data as part of its business. There is a risk that this data could become public if there were a security breach at the Group in respect of such data and if one were to occur, the Group could face liability under data protection laws, and could also lose the goodwill of its customers which would have a material adverse effect on its business.

1.9 *The markets in which the Group operates are characterised by continued improvements in operational infrastructure. Failure to keep pace with such changes could have a material adverse effect on the Group's business, results of operations or financial condition*

The markets in which the Group operates are characterised by continued improvements in operational infrastructure, including changes in use and client requirements and preferences, frequent product and service introductions employing new technologies, and the emergence of new industry standards and practices that could render the Group's existing technology and systems obsolete.

There can be no assurance that the Group will be able to anticipate and respond to the demand for new services, products and technologies in a timely and cost-effective manner, to adapt its infrastructure to technology advancements and changing standards or to retain the Group's clients. The Group's failure to meet any of these demands could have a material adverse effect on the Group's business, results of operations or financial condition.

1.10 *The Group may not be able to protect or enforce the intellectual property rights that it develops for use in its business, which could reduce the Group's ability to compete*

The Group may be unable adequately to protect intellectual property that it currently owns, and intellectual property that it develops in the future. The Group does not currently have any registered intellectual property protection in respect of technology, brands or products that it has developed. The Group currently relies upon copyright and various laws relating to trade secrets and confidential information to limit the ability of others to compete with it using its proprietary technology. These rights only afford limited protection and may not adequately protect the Group's intellectual property to the extent necessary to sustain any competitive advantage the Group currently may have. Additionally, the Group's intellectual property rights are untested. The Group has neither had to defend the use of its intellectual property nor has it had to litigate to prevent other unauthorised users of its intellectual property. Although no notice of infringement has been received, the risk of the Group infringing a third party's rights or vice versa is very real in the Group's marketplace given the number of registrations in the area of interest to the Group. If it becomes necessary to test the Group's intellectual property in the courts, significant costs would be involved along with the diversion of resources and management attention which would have an impact on the Group's business, results of operations or financial condition. Also, if such proceedings were unsuccessful the Group could lose the right to the intellectual property in question which could prevent it from trading as it did before the action.

1.11 *The Group may be vulnerable to 'boiler room' scams*

The investment and financial services industry in which the Group operates is particularly targeted by offshore 'boiler room' operations which set up copycat websites and pass themselves off as respected financial services providers in order to fraudulently obtain client funds. As a well-known company within the industry, the Group has experienced infringement of its website by such operations and despite taking appropriate action to warn clients and implement security measures it is susceptible to the risk of future such occurrences. Repeated attacks could result in adverse publicity and reputational damage to the Group which could have a material adverse effect on the Group's business, results of operations or financial condition.

1.12 *The Group may be subject to claims and its insurance arrangements may not be adequate to protect 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 or that insurance coverage will continue to be available with sufficient limits at a reasonable cost. Renewals of insurance policies may expose the Group to additional costs through higher premiums or the assumption of higher deductibles or claims thresholds. The future costs of maintaining insurance cover or meeting liabilities not covered by insurance could have a material adverse effect on the Group's business, results of operations or financial condition.

1.13 *The Group has not historically carried out a formal financial forecasting process*

The Group has not historically carried out a formal financial forecasting process. This has not affected the Group to date. Although such a process has been implemented recently, the Group's financial forecasting process is untested. Any failure by the Group to budget or forecast its financial performance with accuracy could have a material adverse effect on the Group's business, results of operations or financial condition.

1.14 *The Group's probable requirement to relocate could prove disruptive to its business*

The Group will probably relocate to new premises in about 2009. A move to new premises will of necessity be disruptive to the business and, in particular, the transfer of information technology systems could result in difficulties, causing serious business disruption. Additionally, a move to new premises could have an impact on staffing levels if journey times are significantly affected, which in turn could have a disruptive impact on the business of the Group. The market for material office space in central Bristol is limited and it may not prove possible to relocate to a single site. The Group currently operates from four separate sites, but a move to more than one new site could potentially exacerbate the risks of disruption.

1.15 *Disaster recovery*

The Group is currently based in four separate buildings and the Group's current business continuity plan makes use of this inherent resilience. However, the Group currently has no formal disaster recovery arrangements for the use of alternative premises outside Bristol. A move to a single site would increase the requirement for formal disaster recovery plans due, for example, to disruption caused by fire, acts of terrorism and the like.

1.16 *Loss of some records*

The Group suffered a material loss of some physical client files in a fire in October 2005 at an off-site storage facility. Although the Group has a policy of retaining electronic copies of important paperwork generated by it, there remains the possibility that hard copy correspondence from clients and third parties, which could in future be of material significance in handling claims, complaints or disputes, has been destroyed. In such circumstances it is probable that the Group could be at a material disadvantage in defending or resisting such claims, complaints and disputes. To date, however, the Group has not been subject to any significant disadvantage as a result of the loss of records. The Group has now revised its procedures in relation to the electronic and physical storage of all third party correspondence.

1.17 *Failure to maintain investment 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.

1.18 *Tax risks*

The Group has outstanding enquiries from HMRC in respect of its financial years ended 30 June 2004 and 30 June 2005, and the tax returns for the year ended 30 June 2006 are yet to be finalised with HMRC. Although the Directors do not anticipate the resolution of these outstanding enquiries to be problematic or to involve adjustments not provided for and included within Section A of Part VI (“Financial Information on the Group”), there remains the possibility that HMRC might raise further enquiries in relation to these open years and/or dispute or seek to re-open previous years’ tax returns and computations. In addition, over the last few years, there have been various dealings in the Group’s shares, as well as the grant and exercise of share options. Whether the Group has any resulting tax liability depends to a large extent upon whether the prices at which the transactions took place differed from the market value of the shares at the appropriate time. In many cases, as is not unusual, these values have not been agreed with HMRC. Were different values to be attributed to them from those used, the Group could be exposed to tax liabilities, which are not currently provided for.

1.19 *Inadequate monitoring of suspicious activity*

There is a level of risk associated with the Group’s clients, and its internal money laundering procedures and systems to detect suspicious activity are important to the Group. The FSA requires a risk-based approach to mitigate money laundering risks. Although the Group has moved to such an approach, suspicious activity is currently monitored manually in the Group by trained staff, rather than using any software to monitor transaction patterns. It is possible that such manual monitoring may not result in the detection of suspicious transaction patterns as effectively as a system also involving specialist software. Although a software package to assist with monitoring suspicious activity is currently being implemented by the Group, any failure or inadequacy in the Group’s ability to monitor suspicious activity may expose it to the risk of regulatory or other action against it.

2 RISKS RELATING TO THE MARKET

2.1 *The Group operates in a regulated industry and may be subject to regulatory investigation or enforcement action or a change in regulation in the jurisdictions in which it operates*

The Group’s activities are regulated primarily by the FSA in the UK, which has broad regulatory powers dealing with all aspects of financial services including, among other things, the authority to make enquiries of companies regarding compliance with applicable regulations, to grant – and in specific circumstances to vary or cancel – permissions and to regulate marketing and sales practices, advertising and the maintenance of adequate financial resources. The FSA may also conduct general reviews of products offered and methods of distribution and sales. The Group is also subject to applicable anti-money laundering regulations and data protection legislation.

The regulatory environment in which the Group operates frequently changes and has seen significant increased regulation in recent years. 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, and changes to the regulatory environment could also increase the compliance costs of the Group. The move by the FSA towards a more principles-based approach to regulation may increase the reliance on the Group’s senior management and compliance department to translate such principles, and the FSA may not always agree that the approach taken is sufficient for the principle concerned. As a result of regulatory actions, increased litigation in the financial services industry or other reasons, the Group or its Directors or employees could be subject to civil liability, criminal liability or sanctions (including revocation of Group companies’ or employees’ licences), censures, fines, or temporary suspension or permanent ban from conducting business. Regulatory proceedings could also result in adverse publicity or negative perceptions regarding the Group and divert

management's attention from the day-to-day management of the business. Any regulatory investigations, proceedings, consequent liability or sanction could have a material adverse effect on the Group's business, results of operations or financial condition.

Operating within the financial services sector, the Group also comes within the scope of the Financial Ombudsman Service, an independent body set up by the government to settle disputes between consumers and businesses within the sector. The Financial Ombudsman Service has the power to order the Group to pay compensation to clients where their complaints are upheld, and any such sanctions could have a material adverse effect on the Group's business, results of operations or financial condition.

The Group has entered into a number of material outsourcing agreements and to the extent that these relate to activities regulated by the FSA, the Group retains responsibility for ensuring that they comply with regulatory obligations. Any regulatory breach by an outsourced service provider could expose the Group to the risk of regulatory sanctions and reputational damage.

2.2 *Changes in taxation law, the interpretation of existing tax laws and amendments to existing tax rates could adversely affect the Group's business*

Changes in taxation legislation can affect investment behaviour, making investment generally, and specific kinds of investment products in particular, either more or less appealing. The Group cannot predict the impact of future changes made to tax legislation on its business nor can it predict the impact of future changes made to tax law on the attractiveness of its investment offerings and products. Amendments to existing legislation (such as withdrawal of tax reliefs, increases in tax rates or the introduction of new taxes) or the introduction of new rules may impact upon the decisions of either existing or potential clients. Changes from time to time in the interpretation of existing tax laws, amendments to existing tax rates, or the introduction of new tax legislation could have a material adverse effect on the Group's business, results of operations or financial condition.

Additionally, some of the products and services offered by the Group, in particular ISAs, PEPs and SIPPs, are based on and subject to current tax law which is influenced by present government policy. There are no guarantees that the tax law and associated governmental policy will stay the same in the future, and material changes in such laws and policies could have an impact on the levels of assets under administration or management under such schemes. This in turn could have a material adverse effect on the Group's business, results of operations or financial condition.

2.3 *Competitive pressures may harm the Group*

In common with all businesses, the Group is vulnerable to successful competition which may result in the loss of, or an inability to attract new, clients and therefore in the loss of, or failure to capture, assets under administration or management. A competitive market environment could also result in a reduction of the Group's margins and profitability.

2.4 *Client demographics*

As would be expected in an investment business, the majority of the Group's clients are in their fifties or older, since older clients tend to have more significant funds to invest. As clients grow older they may either withdraw funds for use in retirement or die. There will therefore be a continued need for the Group to attract new clients in the future to compensate for this natural loss of clients.

3 RISKS RELATING TO THE ORDINARY SHARES

3.1 *There has been no public market for the Ordinary Shares prior to this Offer; the price of the Ordinary Shares may be volatile and investors may not be able to sell their Ordinary Shares at or above the price they pay for them. Investors may therefore incur a loss when selling Ordinary Shares*

Prior to the Offer, there has been no public market for the Ordinary Shares. After the Offer, an active trading market for the Ordinary Shares may not develop or, if developed, may not be sustained. The Indicative Offer Price Range has been determined by Citi (following consultation with the Company and Peter Hargreaves and Stephen Lansdown). The Offer Price will be determined by Citi (following consultation with the Company and Peter Hargreaves and Stephen Lansdown) and it is currently expected that the Offer Price will be within the Indicative Offer Price Range, but it may be set above or below this range and may not be indicative of the price at which the Ordinary Shares will trade following the completion of the Offer. The market price

of the Ordinary Shares could fluctuate substantially after the Offer and investors may not be able to sell their Ordinary Shares above the Offer Price, or at all, due to liquidity, market conditions or Group performance-related reasons.

3.2 *Fluctuations in the price of the Ordinary Shares*

Following Admission, the trading price of the Ordinary Shares may be subject to wide fluctuations in response to many factors, including those referred to in this section, as well as stock market fluctuations and general economic conditions that may adversely affect the market price of the Ordinary Shares. Publicly traded securities from time to time experience significant price and volume fluctuations that may be unrelated to the operating performance of the companies that have issued them. In addition, the market price of the Ordinary Shares may prove to be highly volatile. The market price of the Ordinary Shares may fluctuate significantly in response to a number of factors, some of which are beyond the Company's control, including: variations in operating results in the Group's reporting periods; changes in financial estimates by securities analysts; changes in market valuations of similar companies; announcements by the Group of significant contract gains or losses, acquisitions, strategic alliances, joint ventures or new products; regulatory matters; additions or departures of key personnel; any shortfall in revenue or net profit or any increase in losses from levels expected by securities analysts; and future issues or sales of Ordinary Shares. Any or all of these events could result in material fluctuations in the price of Ordinary Shares which could lead to investors getting back less than they invested or a total loss of their investment.

3.3 *Effects of exchange rate fluctuations*

The Ordinary Shares are, and any dividends to be paid in respect of them will be, denominated in pounds sterling. An investment in Ordinary Shares by an investor whose principal currency is not pounds sterling exposes the investor to foreign currency exchange rate risk. Any depreciation of pounds sterling in relation to such foreign currency will reduce the value of the investment in the Ordinary Shares or any dividends in foreign currency terms and any appreciation of pounds sterling will increase the value in foreign currency terms.

3.4 *The Company's Directors, Senior Managers and employees will retain a significant interest in the Company and may be in a position to exert significant influence over the outcome of matters relating to the Group's business*

Following Admission, the Directors and Senior Managers and their related interests (including the EBT) will collectively own 72.19 per cent. in aggregate of the share capital of the Company. Accordingly, these shareholders may be in a position to exert significant influence over the outcome of matters relating to the Company, including appointments to the Board of Directors and the approval of significant change-of-control transactions. The interests of these shareholders may be different from the interests of the Company or the Company's other shareholders. In particular, this control may have the effect of making certain transactions more difficult without the support of the Directors, Senior Managers and employees and may have the effect of delaying or preventing an acquisition or other change in control of the Company.

It should be noted that, by virtue of their business relationship as co-founders of the Company, the Panel has indicated that Peter Hargreaves and Stephen Lansdown will be deemed to be acting in concert for the purposes of the City Code. In addition, Peter Hargreaves and Stephen Lansdown will be deemed to be acting in concert with the Trustee of the EBT. As Peter Hargreaves, Stephen Lansdown and the Trustee as a group will hold in aggregate in excess of 50 per cent. of the Company's share capital upon Admission, normally no obligations under Rule 9 of the City Code would arise from acquisitions by any member of that group. However, the Panel may regard as giving rise to an obligation to make an offer the acquisition by a single member of the group of an interest in shares sufficient to increase the shares carrying voting rights in which he is interested to 30 per cent. or more or, if he is already interested in 30 per cent. or more, which increases the percentage of shares carrying voting rights in which he is interested.

3.5 *The availability of Ordinary Shares for future sale could depress the share price*

Following the Offer the Directors and Senior Managers and their related interests (including the EBT) will collectively own 72.19 per cent. of the Ordinary Shares. The Company cannot predict whether substantial numbers of Ordinary Shares in addition to those which will be available in the Offer will be sold in the open market following the expiry of the lock-up arrangements

described in Part VII (“Details of the Offer”) or pursuant to the limited exceptions thereto. In particular, there can be no assurance that, after the expiration of these arrangements, the relevant shareholders will not reduce their holdings of Ordinary Shares. A significant number of Ordinary Shares may also be required to be sold to meet inheritance tax liabilities on the death of certain shareholders. A sale of a substantial number of Ordinary Shares, or the perception that such sales could occur, could have a material adverse effect on the market price of the Ordinary Shares and could also impede the Company’s ability to raise capital through an issue of equity securities in the future. The Company may also issue further Ordinary Shares, or increase further options over Ordinary Shares, as part of its employee remuneration policy, which could in aggregate create a substantial dilution in the value of Ordinary Shares and the proportion of the Company’s share capital in which investors are interested.

3.6 *The level of dividends payable to shareholders may fluctuate and the Company cannot guarantee that dividends will be declared in the future*

The Company’s results could fluctuate and its ability to pay dividends is dependent on, among other things, it achieving sufficient profits. The Company may not pay dividends if the Directors believe this would cause the Company to be less than adequately capitalised or that there are otherwise insufficient distributable reserves or for various other reasons. Future dividends will depend on, among other things, the Group’s future profits, financial position, regulatory capital requirements, working capital requirements, general economic conditions and other factors that the Directors deem significant from time to time.

Directors, Secretary, Registered Office and Advisers

Directors	Jonathan Bloomer, <i>Senior Non-executive Director</i> Michael Evans, <i>Non-executive Director</i> Stephen Lansdown, <i>Chairman</i> Peter Hargreaves, <i>Chief Executive</i> Martin Mulligan, <i>Group Finance Director</i>
Company Secretary	Tracey Taylor
Registered and Head Office	Kendal House 4 Brighton Mews Clifton Bristol BS8 2NX
Sponsor	Citigroup Global Markets Limited Citigroup Centre Canada Square Canary Wharf London E14 5LB
Sole Global Co-ordinator, Sole Bookrunner and Co-lead Manager	Citigroup Global Markets U.K. Equity Limited Citigroup Centre Canada Square Canary Wharf London E14 5LB
Financial Advisers to the Company	Lexicon Partners Limited 1 Paternoster Square London EC4M 7DX
Co-lead Manager	Numis Securities Limited 10 Paternoster Square London EC4M 7LT
Solicitors to the Company	Burges Salmon LLP Narrow Quay House Narrow Quay Bristol BS1 4AH
Solicitors to the Sole Global Co-ordinator, Sole Bookrunner, Sponsor and Co-lead Managers	Norton Rose Kempson House Camomile Street London EC3A 7AN
Auditors and Reporting Accountants	Deloitte & Touche LLP 3 Rivergate Temple Quay Bristol BS1 6GD

Registrars

Lloyds TSB Bank plc
25 Gresham Street
London
EC2V 7HN
(trading as Lloyds TSB Registrars, The Causeway,
Worthing, West Sussex, BN99 6DA)

Receiving Agents

Hargreaves Lansdown Asset Management Limited
Kendal House
4 Brighton Mews
Clifton
Bristol
BS8 2NX

Offer and Admission Statistics¹

Indicative Offer Price Range ²	140p to 160p
Number of Ordinary Shares in the Offer to be sold by the Selling Shareholders	118,579,725
Number of Ordinary Shares in issue immediately following Admission	474,318,625
Expected market capitalisation of the Company at the Offer Price ³	£711 million

1 The figures set out above are based on the Assumptions set out in paragraph 29 of Part X (“Additional Information”) of this document.

2 The Offer Price may be set within, above or below the Indicative Offer Price Range. Following determination of the Offer Price, a pricing supplement will be published setting out, *inter alia*, the Offer Price. Applications received in respect of the Qualifying Offer are irrevocable and are based on the amount the applicant wishes to invest and not a number of shares or the Offer Price. Applications in respect of the Qualifying Offer, once received, cannot be withdrawn if there is a change to the Indicative Offer Price Range or if the Offer Price is set above or below the Indicative Offer Price Range unless, by reason of the materiality of such change or the extent of deviation from such range, a supplementary prospectus is required to be published in accordance with Section 87G FSMA. Further details in respect of supplementary prospectuses can be found in paragraph 1.1 of Part VII (“Details of the Offer”) of this document. Further details of the Qualifying Offer, including the terms and conditions of application for the Qualifying Offer, are also set out in Part VII (“Details of the Offer”) of this document.

3 See note 2 above. Assumes mid-point of the Indicative Offer Price Range.

Expected Timetable of Principal Events¹

Commencement of the Qualifying Offer	1 May 2007
Latest time and date for receipt of Applications under the Qualifying Offer	5.00p.m. on 11 May 2007
Latest time and date for receipt of bids under the Institutional Offer ²	5.00p.m. on 14 May 2007
Announcement of the Offer Price and notification of allocation ³	15 May 2007
Conditional dealings expected to commence on the London Stock Exchange ⁴	8.00a.m. on 15 May 2007
Publication of pricing supplement containing the Offer Price ⁵	15 May 2007
Admission and unconditional dealings expected to commence on the London Stock Exchange	8.00a.m. on 18 May 2007
CREST accounts credited ⁶	18 May 2007

1 Each of the times and dates in this timetable is subject to change.

2 Citi retains the right to impose an earlier deadline for receipt of bids under the Institutional Offer.

3 Citi, following consultation with the Company (and subject to the ability of the Company to require a minimum allocation of up to 39,526,575 Offer Shares for the Qualifying Offer), will determine the allocation between the Institutional Offer and the Qualifying Offer. The Company, following consultation with Citi, will determine the allocation among Qualifying Clients and Qualifying Employees under the Qualifying Offer and shall have discretion to scale back applications under the Qualifying Offer as it deems appropriate. The Company will have absolute discretion to determine eligibility under the Qualifying Offer. There is no guarantee that applicants will receive all of the Ordinary Shares for which they apply and it is possible that they may not receive any. APPLICATIONS UNDER THE QUALIFYING OFFER MUST BE MADE ELECTRONICALLY, THAT IS ONLINE VIA THE APPLICATION PROCEDURE AND PAYMENT MADE USING FUNDS WITHIN A QUALIFYING CLIENT'S VANTAGE FUND AND SHARE ACCOUNT. THE ELECTRONIC SUBMISSION OF APPLICATIONS MAY BE SUBJECT TO UNAVOIDABLE DELAYS AND TECHNICAL PROBLEMS MAY RESULT IN APPLICATIONS BEING UNSUCCESSFUL. FOR THESE REASONS, APPLICANTS ARE URGED TO SUBMIT THEIR APPLICATIONS AT THE EARLIEST OPPORTUNITY. APPLICATIONS MAY NOT BE MADE BY POST.

4 All dealings in the Ordinary Shares before the commencement of unconditional dealings will be of no effect if Admission does not take place and such dealings will be at the sole risk of the parties concerned.

5 The pricing supplement will not be automatically distributed but will be made available in accordance with Rule 3.2 of the Prospectus Rules on the Website and a paper copy of the pricing supplement and of this document may be obtained, upon request and free of charge, by successful applicants for Offer Shares from the Company by writing to its registered office shown on page 19 of this document or by telephoning 0117 900 9000.

6 Applicants under the Offer will not be able to hold their Ordinary Shares initially in certificated form.

Part III

Information on the Group

Unless otherwise noted, the financial information in this Part III has been extracted without material adjustment from the historical financial information in Section A of Part VI ("Financial Information on the Group") of this document or from the unaudited accounting records which formed the underlying basis of such information or from Datastream in respect of FTSE comparative data. Information regarding assets under administration or management as at 31 March 2007 has been sourced from the Group's unaudited accounting records.

1 OVERVIEW

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

Founded in 1981 by Peter Hargreaves and Stephen Lansdown, 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 has over 350,000 active clients.

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.

As at 31 March 2007, Vantage administered £7.4 billion of assets directly on behalf of private investors. By this measure, the Directors believe that Vantage is the largest fund supermarket and wrap platform for the private investor in the UK.

In addition to offering externally managed investment products, Hargreaves Lansdown manages £1.1 billion of funds through its own range of multi-manager funds and PMS, the Group's discretionary portfolio management service, of which some £400 million is held within Vantage.

In total, including over £200 million administered through other nominee services of the Group, Hargreaves Lansdown had £8.3 billion of assets under administration on behalf of private investors as at 31 March 2007.

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

Hargreaves Lansdown has an established record of delivering strong financial performance:

- In its most recent financial year, ended 30 June 2006, the Group recorded a 46 per cent. increase in turnover to £73.5 million (30 June 2005: £50.4 million) and an 85 per cent. increase in underlying group operating profit (group operating profit excluding exceptional, non-recurring administrative expenses) to £24.3 million (30 June 2005: £13.1 million).
- In the six months to 31 December 2006, the Group recorded a 35 per cent. increase in turnover to £43.3 million (six months to 31 December 2005: £32.2 million) and a 58 per cent. increase in underlying group operating profit to £17.2 million (six months to 31 December 2005: £10.9 million).
- Overall, the Group has achieved a compound annual growth in revenues of 20 per cent. over the last decade and 29 per cent. over the last three years.

Hargreaves Lansdown has also performed well during difficult market conditions. Between 30 June 1999 and 30 June 2002, the FTSE All Share index fell in aggregate by 23 per cent. Over the same period, Hargreaves Lansdown increased its revenues by 64 per cent.

The Group is based in Bristol and as at 31 March 2007 had 655 employees. Certain of the Group's subsidiaries are authorised and regulated in the UK by the FSA.

2 HISTORY

2.1 The Group was founded by Peter Hargreaves and Stephen Lansdown in 1981 to provide advice to private investors on unit trusts and tax planning matters. Assisting clients in the selection of unit trusts and tax efficient investing has remained at the heart of the Group's business ever since. Over the years, the Group has broadened the range of products and services offered as well as the manner of their delivery to meet the needs of its clients.

Set out below is a summary of the key events and initiatives, both market-related and specific to Hargreaves Lansdown, which have shaped the development of the Group. Since establishment, the Group has consistently demonstrated an ability to respond and adapt proactively, quickly and innovatively to a changing market place and client needs.

In 1981, the year of Hargreaves Lansdown's establishment, the Group published its first client newsletter, *Unit Investor*. Clear, concise and jargon-free communication with clients has remained a core component of the Group's strategy ever since.

In 1986, Hargreaves Lansdown launched a unit trust discretionary management service to cater for clients who wished to hand over the selection and management of their unit trust portfolio. This initiative was the forerunner to the Group's multi-manager funds and discretionary portfolio management service (PMS) as they exist today.

In 1987, PEPs were introduced. In the same year, Hargreaves Lansdown introduced its own PEP. Until their replacement by ISAs in 1999, PEPs represented a key tax wrapper for new investments by Hargreaves Lansdown clients. By 1999, Hargreaves Lansdown had become one of the leading PEP brokers in the UK. As at 31 March 2007, PEP assets held in Vantage totalled £2.1 billion.

In 1991, Hargreaves Lansdown Stockbrokers was formed in response to growing client demand for investment trusts. Investment trusts were traditionally only available through private client stockbrokers. Hargreaves Lansdown made them more accessible to private investors dealing through the post by introducing a simple application form.

Having established a stockbroking business, Hargreaves Lansdown was able to build on the breadth of its client base to become a leading Share Shop in government privatisations such as National Power (1995), Powergen (1995), British Energy (1996) and Railtrack (1996). In the privatisations of National Power and Powergen, Hargreaves Lansdown also promoted PEP applications, recognising that the retail tender gave priority to PEP applicants. This innovative approach led to Hargreaves Lansdown's clients benefiting from superior allocation.

Since 1991, Hargreaves Lansdown has acted as a retail broker on a number of major flotations including Halifax (1997), Thomson Travel (1998), William Hill (2002) and QinetiQ (2006). Acting as retail broker to a number of the major privatisations and flotations has represented a valuable source of new client leads for the Group's wider activities.

In 1996, Hargreaves Lansdown moved towards a discount model for sales of unit trusts (and, subsequently, open-ended investment companies (OEICs)), preferring to pass on to clients a share of the initial commission which it received for acting as distributor, and relying instead on a share of the annual management charge, also known as renewal commission, from the fund provider. This increased the alignment of interest between the Group and its clients and underpinned Hargreaves Lansdown's position as a client-focused, value-for-money distributor of investment products. It also enhanced the quality of Hargreaves Lansdown's overall revenues by increasing its proportion of recurring income. The move towards a discount model continued Hargreaves Lansdown's history of innovation and represented a significant change to the prevailing remuneration structure of the distribution sector as a whole. This major strategic decision, which the Directors believe to have been highly successful, remains at the core of Hargreaves Lansdown's business model today.

In the same year, Hargreaves Lansdown launched the PEP Discount Directory, the first extensive listing of PEP eligible funds which detailed charges and discounts for the private investor. This publication was designed to assist the private investor in selecting from a wide range of funds and assessed the performance, charges, commissions and dividend yields of PEP eligible funds.

In an effort to improve administrative efficiencies in the retail investment funds market, in 1999 the Group pioneered the development of a consolidated application form which could be accepted by different fund providers. Previously, fund providers had only accepted their own application forms which had created a significant administrative burden for the distributor and private investor as well as additional expense.

Both the launch of the PEP Discount Directory and the introduction of a consolidated application form can be seen as important precursors to the development of fund supermarkets.

Believing that pensions for private investors had become expensive, confusing and lacking in transparency, in 1999 the Group launched Hargreaves Lansdown Pensions Direct with the aim of delivering good value and transparent third party pensions. Hargreaves Lansdown quickly achieved a significant market share in low-cost stakeholder pensions. Strategically, the establishment of Hargreaves Lansdown Pensions Direct also represented an attractive complement to the Group's existing activities with cross-selling opportunities.

In 1999, the Group also launched Hargreaves Lansdown Corporate Solutions to provide independent advice to companies on defined contribution pension schemes. This was supplemented in 2000 by the launch of an annuity supermarket which allows prospective pensioners to compare annuity rates from different providers and select the best rate available.

In 2000, the Group also published the first issue of the *Investment Times*. This publication is devoted solely to private investment and has a circulation per issue of up to 760,000 private investors. The distribution of each issue is determined by its content and prevailing market conditions. Since September 2006, there have been eight publications of the *Investment Times* with an average circulation per issue of 445,000 private investors. The Directors believe that it has become one of the most widely read investment publications exclusively targeting the private investor in the UK.

In 2001, Hargreaves Lansdown launched Vantage (an extension of the Group's self-select PEP and ISA service), a fund supermarket and a wrap platform which enabled private investors to transact and administer their investments through Hargreaves Lansdown. Whereas fund supermarkets and wrap platforms are generally business-to-business propositions focused on servicing the IFA market, Vantage is exclusively focused on the private investor. With £7.4 billion of assets administered directly on behalf of private investors as at 31 March 2007, the Directors believe that Vantage is the largest direct-to-private investor fund supermarket and wrap platform in the UK.

Also in 2001, the Group launched the first two funds in its multi-manager fund range. The HL Multi-Manager Balanced Managed Trust and the HL Multi-Manager Special Situations Trust were launched in January and April 2001 respectively. The Directors believe that the stock market downturn in the early part of the new millennium caused a number of clients of the Group, who had historically managed their own investments, increasingly to hand over their portfolios to be professionally managed. The launch of the HL Multi-Manager Income and Growth Trust followed in October 2002 and the HL Multi-Manager Cautious Managed Trust was launched in June 2006. As at 31 March 2007, the Group had £894 million of multi-managed assets under management, sourced predominantly through PMS and Vantage.

During the bear market of 2002 and 2003, many private investors were generally reluctant to invest new money in investment products. As a result, Hargreaves Lansdown focused its efforts on encouraging investors to consolidate their investments in the Vantage service in order to benefit from greater control over their investments, ease of administration, high quality investment research and information and a share of the renewal commission, marketed to the client as a "loyalty bonus". Hargreaves Lansdown was successful during this period at winning new clients and new business from existing clients while a number of other distributors struggled with business models which remained heavily reliant on product sales and initial commission.

In 2003, with the launch of the Vantage SIPP account, Hargreaves Lansdown became one of the first fund supermarkets in the UK to offer SIPPs. This allowed clients to bring their personal pension arrangements into the Vantage service and benefit from the low costs, initial discounts and concise valuations already enjoyed by clients investing in unit trusts and OEICs either directly or through an ISA or PEP.

In keeping with its strategy to provide clients with a comprehensive range of investment products and to supplement the Group's main stockbroking service, HL Markets was launched in 2004 to offer sophisticated investors access to CFDs. This was followed later in the year by foreign exchange trading and, in 2006, spread betting.

Extensive reform aimed at simplifying pensions regulation in the UK took effect on 6 April 2006, known as A-Day. From 30 June 2006 to 31 March 2007, the assets held by clients of Hargreaves Lansdown in the Vantage SIPP increased from £479 million to £1,065 million. In 2006, Hargreaves Lansdown also launched the group SIPP. The Directors believe that the reforms of A-Day will contribute to strong growth in SIPPs and that Hargreaves Lansdown is well positioned to capitalise on this growth opportunity.

3 KEY STRENGTHS

The Directors believe that Hargreaves Lansdown's key strengths are:

3.1 *A differentiated direct business model*

Hargreaves Lansdown's business model is focused on the private investor and covers a wide range of activities including distribution, wrap platform provision, investment management, research, provision of tax wrappers, stockbroking and advisory services.

In providing this breadth of services direct to the private investor, Hargreaves Lansdown offers a differentiated model and is able to capture enhanced margins.

In particular, 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. In providing its fund supermarket and wrap platform direct to the private investor, Hargreaves Lansdown performs the role, and captures the economics, of both the platform provider and distributor.

The Directors believe that this business model, together with the Group's significant purchasing power, enables it to retain a greater share of the annual management charge, also known as renewal commission, from fund providers than it would through acting solely as a fund distributor or a fund platform provider. Hargreaves Lansdown in turn strengthens its ability to win and retain clients by passing on a portion of the renewal commission to its clients in the form of a loyalty bonus (paid on eligible funds held within the Vantage Fund and Share, PEP and ISA Accounts). In the year ended 30 June 2006, loyalty bonuses to clients totalled £6.4 million.

The Hargreaves Lansdown business model therefore allows the Group both to offer highly competitive prices to its clients and achieve strong profitability.

3.2 *A robust business model with resilient retail assets predominantly invested in tax efficient wrappers*

The Group's strategy has been to increase recurring revenue and build a diversified business that serves the broad spectrum of private client investment needs, whether execution-only or discretionary, through bull and bear markets.

77 per cent. of client assets in Vantage were held in tax wrappers (PEPs, ISAs and SIPPs) as at 31 March 2007. The Directors believe that assets held in tax wrappers are less susceptible to withdrawal by clients during challenging market conditions, given a general reluctance to break the tax benefits afforded by the wrapper. This is particularly true of SIPPs where it is not possible to withdraw funds prior to the age of 50. This will increase to the age of 55 in 2010. The Directors believe that because of the long term nature of pensions, private investors with a SIPP are more likely to make a contribution each year irrespective of market conditions.

Hargreaves Lansdown also offers a cash facility in its Vantage PEP, ISA and SIPP accounts which allows clients to reduce exposure to equities during times of market uncertainty and earn interest whilst retaining their monies within the tax wrapper.

In addition, unlike pure asset managers, whose businesses are highly dependent on the investment performance of their funds, as a wrap platform provider and distributor Hargreaves Lansdown is less exposed to the relative investment performance of the funds held by its clients. When one fund manager's performance deteriorates, clients are able to switch to a better performing fund manager also offered by Hargreaves Lansdown. In offering the leading funds, Hargreaves Lansdown is well-placed to retain its clients' assets.

3.3 *An incumbent position as the largest direct-to-private investor fund supermarket and wrap platform in the UK with £7.4 billion of assets administered directly in Vantage on behalf of private investors as at 31 March 2007*

By value of assets administered directly on behalf of private investors, the Directors believe that Vantage is the largest fund supermarket and wrap platform for the private investor in the UK.

The Directors believe that there is an ongoing trend for individuals to make increasing use of wrap platforms as they assume greater control and active management of their investments and provision for retirement. The Directors believe that the Group's business model, brand, scale, developed infrastructure and marketing expertise afford Hargreaves Lansdown a strong competitive position from which to take advantage of this growth.

3.4 *A leading SIPP provider*

The Directors believe that, subject to market conditions, the SIPP market is likely to experience strong growth in new business, in view of the pensions regulation simplification introduced on 6 April 2006 (A-Day) and other fiscal and demographic trends.

In the 2005/06 tax year, approximately 63 per cent. of Hargreaves Lansdown's new SIPP business by value represented transfers from other pension schemes and the Directors believe that the transfer over time of assets currently held in defined contribution pension schemes into SIPPs represents a significant growth opportunity for the Group. As a leading provider of SIPPs, the Directors believe that Hargreaves Lansdown is well-positioned to capitalise on the growth in the SIPP market.

3.5 *A strong and visible brand*

Hargreaves Lansdown has a strong brand with a reputation for high quality service and good value products amongst the private investor community.

It is the most widely quoted retail investment intermediary in the national press¹. Key employees of Hargreaves Lansdown regularly feature in the personal finance sections of the national press as well as radio, television and online media commenting on unit trusts, OEICs, pensions, personal tax matters and shares.

The Directors believe that the high visibility of Hargreaves Lansdown's brand in the national press, as well as in investment and trade publications, has been influential in generating new clients for the Group and retaining existing clients.

3.6 *Client focused with direct client relationships*

Hargreaves Lansdown is a client focused business. Putting the interests of its clients first, and understanding and responding to their investment needs, have been central to the Group's business culture. The Directors believe that this approach, together with the Group's commitment to providing the highest level of service to its clients, have been critical factors in the Group's success.

Unlike most fund supermarkets and wrap platforms, Hargreaves Lansdown has a direct, un-intermediated relationship with private investors. This allows it to be proactive and targeted in delivering relevant information quickly to its clients in order to increase product take-up and retention.

3.7 *Powerful distribution capability*

With a direct client base of over 350,000 active clients, the Group has a powerful distribution capability. In addition, the Group has a confidential database of approximately a further 1.2 million private investors to whom the Group markets on a targeted basis.

Through the *Investment Times*, the Group's website, email marketing and regular commentary in the media, Hargreaves Lansdown's distribution strategy is flexible, low-cost and scaleable. The Group's powerful distribution capability is demonstrated by its position as the largest direct-to-private investor distributor of collective investment funds in the UK in 2006 for many of the leading fund management groups, including Fidelity, Invesco Perpetual, Schroders, Jupiter, Artemis and JP Morgan.

1 Source: Presswatch survey

The Group's business model enables it to reach large numbers of prospective private investors quickly and easily to take advantage of new investment opportunities. As a result, Hargreaves Lansdown has a strong track record of generating significant demand in relation to new fund launches.

3.8 *A track record of innovation*

Hargreaves Lansdown has a record of product and service innovation including the establishment of Vantage, the publication of the *Investment Times* and most recently the development of the Group's online annuity search engine.

The Directors believe that the Group's strengths in innovation are explained by its entrepreneurial culture and its willingness and ability to take decisions quickly, which encourages ideas generation.

3.9 *Strong technology*

Robust, scalable technology forms a key part of Hargreaves Lansdown's business model. Hargreaves Lansdown's approach, where possible, has been to develop and maintain bespoke systems in-house. This has allowed the Group much closer control over costs and the suitability of its systems as well as the service provided to clients.

The Group has an information-rich, user-friendly website with a high degree of functionality. As at 31 March 2007, more than 90,000 clients were registered as users of Hargreaves Lansdown's online facilities.

Hargreaves Lansdown is committed to multi-channel communication – by post, telephone and online. However, increasing the number of clients who receive marketing literature by email and who can access Hargreaves Lansdown online represents a major opportunity for the Group to reduce the cost of servicing clients by providing information and taking instructions electronically and to enhance the Group's profitability.

3.10 *An established compliance culture and risk management procedures*

Hargreaves Lansdown places a strong emphasis on risk management, encompassing legal, regulatory and reputational risk and compliance.

Treating customers fairly, which is the subject of a key initiative by the FSA, is an established and fundamental component of the Group's business culture and has been instrumental to the development of the Group's excellent reputation amongst private investors.

Hargreaves Lansdown has a strong compliance culture and maintains a close dialogue with the FSA to manage regulatory risk.

3.11 *A long track record of strong and profitable organic growth*

Hargreaves Lansdown has an established track record of delivering strong financial performance.

The Group has achieved organic compound annual growth in revenues of:

- 20 per cent. over the last decade (from the financial year ended 30 June 1996 to the financial year ended 30 June 2006) by comparison with annual growth in the FTSE All Share of 5 per cent. over the same period;
- 15 per cent. over the last five years (from the financial year ended 30 June 2001 to the financial year ended 30 June 2006) by comparison with annual growth in the FTSE All Share of 2 per cent. over the same period;
- 29 per cent. over the last three years (from the financial year ended 30 June 2003 to the financial year ended 30 June 2006) by comparison with annual growth in the FTSE All Share of 15 per cent. over the same period; and
- 46 per cent. over the last financial year (from the financial year ended 30 June 2005 to the financial year ended 30 June 2006) by comparison with growth in the FTSE All Share of 16 per cent. over the same period.

In the six month period ended 31 December 2006, the Group achieved growth in revenues of 35 per cent. by comparison with the six month period ended 31 December 2005.

The Group has also performed well during difficult market conditions. Between 30 June 1999 and 30 June 2002, when the FTSE All Share fell in aggregate by 23 per cent., Hargreaves Lansdown grew its revenues by 64 per cent.

3.12 *High proportion of recurring revenues*

Hargreaves Lansdown's business model is focused on favouring recurring revenues over initial commissions. In aggregate, recurring revenues, comprising renewal commissions, management fees and interest earned on client assets, represented approximately 61 per cent. of the Group's revenues in the financial year ended 30 June 2006 and approximately 67 per cent. of the Group's revenues in the six month period ended 31 December 2006.

3.13 *A high Operating Profit Margin and scaleable business*

Over the last three years, Hargreaves Lansdown has increased its Operating Profit Margin from 23 per cent. in the financial year ended 30 June 2004 to 33 per cent. in the financial year ended 30 June 2006. This increase demonstrates the scaleable nature of the Group's business platform.

The Directors believe that the Group's business model allows further scope to take advantage of scale efficiencies as the Group's assets under administration and management, new business volumes and proportion of business transacted online increase, enabling it to expand its Operating Profit Margin.

3.14 *Strong cash generation*

Hargreaves Lansdown is a highly cash generative business, with only a modest requirement, in the context of the Group's profitability, for reinvestment in the business. The Directors believe that the Group's cash generative characteristics should be able to support an attractive dividend payment relative to earnings and a progressive dividend policy.

3.15 *Excellent growth prospects*

The Directors believe that, as the largest direct-to-private investor fund supermarket and wrap platform in the UK by assets under administration, Hargreaves Lansdown is well positioned to benefit from favourable demographic and industry trends. These include an ageing and increasingly wealthy population and a greater awareness of the need to save and plan for retirement, which are likely to underpin ongoing growth in demand for investment management products and services.

3.16 *Highly experienced management team with a proven track record*

The senior management team of Hargreaves Lansdown is very experienced and has a proven track record as evidenced by the successful growth and development of the Group.

The senior management team has strength in depth. Excluding Stephen Lansdown and Peter Hargreaves, the senior management team, which comprises ten individuals, has an average of more than 12 years of experience at Hargreaves Lansdown and not less than seven years in the case of any individual.

3.17 *Significant management and employee ownership*

The Directors believe the incentivisation of senior management through equity participation to be an important factor in the continuing success of Hargreaves Lansdown and in ensuring strong alignment of interest with non-employee Shareholders. All of Hargreaves Lansdown's Senior Managers have meaningful equity interests in the Group. In addition, the Group's Employee Benefit Trust will hold 3.86 per cent. of the equity of Hargreaves Lansdown following Admission. All existing employee options can be satisfied from existing issued shares held in the EBT.

Following Admission, it is expected that the Directors, Senior Managers and the EBT will together own 72.19 per cent. of the equity of Hargreaves Lansdown.

4 BUSINESS STRATEGY

Hargreaves Lansdown's strategy is to increase revenue and earnings and create shareholder value by being the leading provider of investment management products and services to private investors in the UK.

In particular, Hargreaves Lansdown will focus on:

4.1 *Growing assets held in Vantage*

Hargreaves Lansdown intends to increase assets under administration held in Vantage by attracting new clients to the Group as well as encouraging existing clients to invest new money and transfer investments not currently held in Vantage.

In particular, the Directors of Hargreaves Lansdown believe that individual and group SIPPs represent a major and immediate opportunity to grow assets, both from pension transfers and new contributions.

4.2 *Increasing funds under management in Hargreaves Lansdown's multi-manager funds and discretionary portfolio management service*

The Group will seek to increase funds under management in Hargreaves Lansdown's multi-manager funds and PMS through ongoing marketing and strong investment performance.

4.3 *Improving renewal commissions received from fund providers*

Since 2001 and the establishment of Vantage, Hargreaves Lansdown has improved the share of the annual management charge from fund providers whose products it distributes on the fund supermarket wrap platform. The Directors believe that an opportunity exists for the Group to improve further its share of the annual management charge from these fund providers, subject to continuing growth in assets under administration.

4.4 *Enhancing earnings' quality*

Through increasing assets under administration in Vantage and assets under management in the Group's multi-manager funds and PMS, and thereby increasing the level of recurring income, Hargreaves Lansdown intends to target continued improvement in the quality of its earnings over time.

4.5 *Heightening the visibility of the Hargreaves Lansdown brand*

Hargreaves Lansdown is already one of the highest profile investment intermediaries for the private investor in the UK. The Group intends to increase its brand visibility in the national press as well as in specialist investment publications and on the internet in order to support ongoing generation of new client business.

4.6 *Continuing to provide high quality services to its clients and to increase online usage*

The Group's success has been predicated on a business culture of putting the client first and providing a wide range of products and a high quality service to its clients. Maintaining this culture, breadth of products and quality of service will remain a core feature of Hargreaves Lansdown's strategy.

The Group will continue to invest in maintaining a strong online presence. Through its comprehensive and easy-to-use website, the Group will seek to increase the level of transactions and portfolio management undertaken by clients online in order to support further expansion in the Group's Operating Profit Margin.

4.7 *Cost control and increasing operational efficiency*

As a private, owner-managed company, active management of costs has been a key element of Hargreaves Lansdown's culture. In the period between 30 June 2004 and 30 June 2006, Hargreaves Lansdown achieved compound annual growth in revenues of 31 per cent. and compound annual growth in underlying administrative expenses of 23 per cent., contributing to compound annual growth in operating profit (before exceptional administrative expenses) over the period of 57 per cent.

As a public company, the Group intends to continue its focus on tight cost control, while ensuring that the Group remains well-positioned to take advantage of the significant future growth opportunities available to it.

5 MARKET BACKGROUND

5.1 *Overview: A growing market for Hargreaves Lansdown's products and services*

The Directors believe that the prospects and growth outlook for the UK wealth management industry (particularly collective investment funds) are positive, as state pension funding comes under greater pressure and the government expects the savings and investment industry to provide increasingly transparent and low margin products to encourage savings and retirement planning. The well-documented pressure on state pension provision and the closure of a large number of defined benefit pension schemes is leading to a greater awareness amongst consumers of the need to save and plan for retirement and has also encouraged consumers to take more active control of their investments.

In addition, the Directors believe that demographic trends are likely to underpin demand for investment management products and services. The age profile of the UK's population is gradually rising with the number of people aged 60 and over expected to represent 30 per cent. of the population by 2036, up from 21 per cent. today¹. This ageing population is also expected to become increasingly wealthy. The number of individuals with liquid assets of between £50,000 and £200,000 is expected to reach 6.2 million by 2010², representing a compound annual growth rate of approximately 7 per cent.

This combination of fiscal and demographic factors has led to predictions of strong growth in retail demand for investment and pension products and use of wrap platforms, all of which are core areas of expertise for Hargreaves Lansdown.

As a leading provider of investment products and services to the UK private investor, the Directors believe that Hargreaves Lansdown is well placed to capitalise on the opportunities available, offering self-determining investors the capability to manage their investments actively and conveniently, and providing a discretionary portfolio management service and multi-manager funds for those who wish to hand over their investments for professional management.

5.2 *Collective investment funds market*

Collective investment funds in the UK take the form of unit trusts and open-ended investment companies (OEICs) and are designed primarily for retail investors.

As at 31 December 2006, the total value of UK collective investment funds was £410 billion. Over the four years to 31 December 2006, sales of collective investment funds have increased significantly. In 2006, gross retail sales of collective investment funds and total collective investment funds under management were more than double 2002 levels. Tax efficient investment products remain a significant portion of total UK collective investment funds under management. As at 31 December 2006, ISAs and PEPs represented 21 per cent. of total collective investment funds under management³.

Over the past five years, multi-manager products have become a more prominent feature of the collective investment funds market. Hargreaves Lansdown operates four funds of funds which are collective investment schemes that in turn invest in other publicly offered collective investment funds. The global fund of funds industry has seen assets under management more than double between 2002 and 2005⁴.

5.3 *Pensions market*

According to the ABI, total pensions annual premium equivalent in 2006 grew 37 per cent. to £6.5 billion and experienced 11 per cent. compound annual growth between 2000 and 2006⁵.

Demand for life and pension products in the UK has been driven by a number of longer-term trends. The combination of falling birth rates, longer life expectancies and the ageing baby boomer generation has led to well-documented pressure on state pension provision. It is estimated that by 2050 the ratio of 65+ year olds to 20-64 year olds will increase from its current 27 per cent. to 48 per cent.⁶ The response by the UK government, through policy reforms, has raised public awareness of the mounting pressure and risks associated with the future provision of state benefits and consequently encouraged individuals to take responsibility for the provision of their own retirement income.

These trends, together with a growing demand from the consumer for transparent and better value products, have precipitated changes in the pensions industry in the form of open architecture products and the advent of mass market SIPP, both intended to meet the growing needs of private investors. The emergence of open architecture products, where pension providers offer investors access to products from competing providers, has increased the investment choices available to individuals considering their private pension arrangements. Similarly, the growing SIPP market has supported this trend, providing a pension product that offers a wider range of underlying investments than other personal pensions.

1 Source: Datamonitor

2 Source: Government Actuarial Department National Population Projections – 2004

3 Source: Investment Management Association (for all statistics in this paragraph)

4 Source: Cerulli Associates

5 Source: Association of British Insurers statistics

6 Source: Datamonitor

The government followed these industry developments with the implementation of the pensions simplification regime on 6 April 2006, known as A-Day. This legislation is intended to reduce some of the complexity involved in establishing and administering certain pension contributions and benefits by effectively combining eight different tax regimes into one code. In addition, annual allowance limits were increased significantly to a maximum, in the current tax year, of £225,000.

These changes are expected to lead to significant growth in the demand for SIPPs, as employers and individuals seek a pension product with simple and transparent charging structures which offers greater freedom for investment decisions. Research estimates that SIPP new business premiums for individual pensions grew by over 350 per cent. between 2004 and 2005. It is estimated that SIPP new business premiums for individual pensions will experience compound annual growth of 22 per cent. between 2005 and 2010¹.

The Directors believe that these recent developments in the pensions market offer significant opportunities for the Group to grow SIPP assets under administration, both from private investors and corporate clients.

5.4 *Distribution channels*

Collective investment funds are sold by fund providers to private investors primarily through intermediaries such as independent financial advisers, discretionary and advisory stockbrokers and, in some instances, by the sales forces of banking groups and life assurance companies.

Since the advent of fund supermarkets in 2000, sales of collective investment funds have increasingly been conducted by intermediaries through fund supermarkets. Fund supermarkets offer a wide range of third party funds, facilitate their sale and purchase and provide administrative services to intermediaries and investors. Fund supermarkets typically allow intermediaries to execute collective investment fund transactions online and view valuations of clients' fund investments via the internet whenever they choose. In some cases, the fund supermarket will provide a white label service to an intermediary, allowing that intermediary to make the electronic valuation service available to the underlying private investor under that intermediary's brand.

More recently, these platforms have begun to widen their available range of asset classes beyond collective investment funds (which can, for example, include equities, bonds and cash) and increase their tax wrappers beyond savings to include life and pensions products and offer a range of planning tools. In doing so, they have also become known as wrap platforms. The largest fund supermarkets in the UK comprise Funds Network (owned by Fidelity), Cofunds (owned by a consortium of Legal & General, IFDS, Threadneedle, Jupiter, Newhouse Capital and M&G), Selestia and Skandia Multi-Funds (both part of the Old Mutual Group) and Hargreaves Lansdown's Vantage. In addition, a number of the major life insurers and other firms in the UK have developed or are developing wrap platforms to service the IFA community.

With the exception of Hargreaves Lansdown's Vantage, which is focused exclusively on the private investor, each of these large UK fund supermarkets and wrap platforms primarily offers its administrative services to IFAs.

The Directors believe that there is approximately £50 billion of assets administered through wrap or equivalent platforms. Research estimates that this could grow to approximately £250 billion by 2010². By way of context, it is estimated that the potential UK retail investment assets that could be administered through wrap platforms could reach £2.6 trillion by 2010 (from an estimated £1.8 trillion in 2005)³.

The Directors believe that private investors will continue to be encouraged by the government and the financial services industry to monitor more closely their savings and retirement planning. As a result, the Directors believe that Hargreaves Lansdown is strongly positioned to benefit as private investors continue to appreciate the convenience of wrap platforms and the opportunity that the Vantage platform offers them for making their own investment decisions.

1 Source: Datamonitor (for all statistics in this paragraph)

2 Source: Adnitor

3 Source: Datamonitor

5.5 *Competition*

The markets in which Hargreaves Lansdown operates are highly fragmented. Hargreaves Lansdown competes 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.

The Directors believe that Hargreaves Lansdown is well-placed from a competitive perspective in view of its client-focused approach, its differentiated business model which supports competitive prices for clients and attractive profitability for shareholders, its breadth of high quality services specific to the private investor and its marketing expertise and entrepreneurial culture.

6 THE BUSINESS

6.1 *Overview of business model*

Hargreaves Lansdown is one of the leading distributors of investment products direct to private investors in the UK. The Group offers a broad range of investment products and services designed to satisfy the requirements of private investors, whether they are making their own investment decisions or looking for an advisory or a discretionary service.

The Group's stated objective is to help investors make more of their money by seeking to provide the investment products they need together with "the best information, the best service and the best prices".

Hargreaves Lansdown has a differentiated business model which is focused on the private investor and spans distribution, wrap platform provision, investment management, research, provision of tax wrappers, stockbroking and advisory services. This model allows the Group to capture a greater proportion of the revenues which arise from the client's portfolio of personal investments. This diversifies Hargreaves Lansdown's earnings streams, enhances its margins and improves client recruitment and retention.

Over time, Hargreaves Lansdown has altered its charging structure to favour recurring revenues over initial commission. This has enhanced the alignment of interest with the Group's clients and improved the quality of its overall revenues by increasing its proportion of recurring income. In the year ended 30 June 2006, 61 per cent. of the Group's revenues were recurring in nature. In the six month period ended 31 December 2006, this proportion had increased to 67 per cent.

For management and reporting purposes, Hargreaves Lansdown's operations are divided into the following five business units: Vantage, Third Party, Discretionary, Advisory and Stockbroking. These are discussed in turn below.

In the financial year ended 30 June 2006, the contribution of each of the Group's business units to overall revenue was as follows:

	<i>30 June</i>	
	<i>2006</i>	<i>% of Group</i>
	<i>£'m</i>	<i>%</i>
Vantage	35.2	48
Third Party	17.1	23
Discretionary	4.4	6
Advisory	8.2	11
Stockbroking	7.5	10
Central Services	1.1	2
Total	<u>73.5</u>	<u>100</u>

6.2 *Vantage*

Vantage is the Group's direct-to-private investor fund supermarket and wrap platform. As at 31 March 2007, it administered £7.4 billion of assets directly on behalf of private investors. By this measure, the Directors believe it is the largest fund supermarket and wrap platform for the private investor in the UK.

Vantage – The service

Vantage is an execution-only service and all investment decisions are made by the client. It offers a wide range of investment products including unit trusts, OEICs, equities, bonds, investment trusts and cash. It also provides tax efficient savings vehicles including PEPs, ISAs and SIPPs through which these investment products may be purchased.

Vantage offers clients the administrative convenience of being able to hold and manage their investments, irrespective of the tax vehicle, in one place with consolidated valuation reports and tax vouchers, a single dealing service and instant online access.

Assets held in Vantage are administered by Hargreaves Lansdown through Group nominee accounts. The Directors believe that this improves the administration service provided to the client and increases client retention.

Vantage's principal account categories are as follows: PEP Account, ISA Account, Fund and Share Account and SIPP Account.

Hargreaves Lansdown offers a multi-channel service enabling clients to undertake transactions online, by telephone or by post.

Vantage – Differentiation

At present, in the wider industry, fund supermarkets and wrap platforms are largely focused on servicing IFAs and enable the advisers to manage their clients' assets in one place. The fund supermarket or wrap platform typically receives a payment for acting as administrator while the IFA receives a payment for acting as distributor.

Vantage is different from traditional fund supermarkets and wrap platforms in that it is a direct proposition focused exclusively on the private investor. As a result, it performs the role both of administrator and distributor. This allows Hargreaves Lansdown effectively to capture the economics of both the platform provider and the distributor and is key to supporting competitive prices for its clients.

Vantage offers clients access to over 1,500 collective investment funds, including those provided by a number of smaller boutique fund groups. In addition, Hargreaves Lansdown provides Vantage clients with a wide range of information to enable them to monitor the absolute and relative performance of their investments and to assist them to make timely, well-informed investment decisions. To assist clients in the selection of funds, Hargreaves Lansdown provides "The Wealth 150" which represents Hargreaves Lansdown's list of preferred funds for new investment. This list is prepared by the Group's investment research team, headed by Mark Dampier.

All clients of Vantage are sent the *Investment Times*. Each issue of the *Investment Times* profiles particular funds which Hargreaves Lansdown favours in light of prevailing market conditions. In addition, the Hargreaves Lansdown website provides a wide range of information including news feeds and fund factsheets detailing fund performance and asset allocation.

Vantage also offers commentary and analysis supporting the consolidated valuation statements provided to clients which assists clients in the monitoring of their investments.

In view of its direct relationship with investors, Hargreaves Lansdown is able to provide information that is tailored to its clients' investments and interests, for example to alert them to fund changes or recent performance which may warrant a change in their investment allocation. Hargreaves Lansdown does not currently levy a charge to switch funds in Vantage, which assists in ensuring that its interests in seeking the best-performing investments are strongly aligned with those of its clients.

Through providing direct to the private investor a wide range of investment products at competitive prices supported by high quality administration, Vantage represents an attractive and differentiated proposition in the UK retail investment market.

Vantage – Sources of revenue

Hargreaves Lansdown earns renewal commission from the fund provider on the value of qualifying funds held in Vantage.

Where renewal commission is not earned on investments held in Vantage, Hargreaves Lansdown charges a management fee of 0.5 per cent. per annum (plus VAT) on the value of the investments, other than with respect to investments held in the Vantage Fund and Share Account. Hargreaves Lansdown also retains a margin between the interest payable by it on client cash held in Vantage and the interest actually earned on such cash.

Vantage – Pricing

The charging structure is central to the Group's business model.

Hargreaves Lansdown's business model for Vantage is to discount the initial charges on collective investment funds, usually by foregoing commission and negotiating with the investment groups to waive the remainder of their initial charges for the benefit of the investor. This is attractive to the private investor as significant initial charges of up to 5.5 per cent. are still levied in the market.

In addition to discounting the initial charges, the quantum of Hargreaves Lansdown's assets under administration, together with its strength in distribution, has enabled it to secure an attractive share of the annual management charge with the fund providers. These terms effectively reflect the Group's role as both platform provider and distributor.

The Group chooses to rebate a portion of the renewal commission it receives to the client as a loyalty bonus, other than with respect to SIPP investments. In the year ended 30 June 2006, loyalty bonuses to clients totalled £6.4 million. The Directors believe that the loyalty bonus assists in attracting transfer business in all market conditions and also represents an important client retention tool.

Hargreaves Lansdown therefore manages to offer highly competitive prices to its clients while achieving strong profitability.

Vantage – Assets

Assets under administration with Vantage have grown from approximately £2.6 billion as at 30 June 2004 to £7.4 billion as at 31 March 2007.

The breakdown of assets in Vantage since 30 June 2004 is set out below.

	<i>30 June 2004 £'m</i>	<i>30 June 2005 £'m</i>	<i>30 June 2006 £'m</i>	<i>31 December 2006 £'m</i>	<i>31 March 2007 £'m</i>
Vantage PEP Accounts	1,069	1,354	1,739	2,004	2,122
Vantage ISA Accounts	977	1,355	1,945	2,270	2,488
Vantage Fund and Share Account	455	709	1,193	1,530	1,721
Vantage SIPP Accounts	81	187	479	783	1,065
Total	<u>2,582</u>	<u>3,604</u>	<u>5,355</u>	<u>6,587</u>	<u>7,396</u>
<i>Increase/(decrease) on prior period end</i>	—	40%	49%	23%	12%
FTSE All Share	2,229	2,560	2,968	3,221	3,283
<i>Increase/(decrease) on prior period end</i>	—	15%	16%	9%	2%

Vantage PEP Accounts

The Vantage PEP Account is a nominee account for PEP eligible investments. Investments held in a PEP are not subject to personal income tax or capital gains tax.

Since the replacement of PEPs by ISAs in 1999, it has not been possible to make new subscriptions to PEP accounts. As a result, growth in the Vantage PEP Account is dependent upon existing or new clients transferring PEPs held with other providers to Vantage and market related growth. Hargreaves Lansdown has been successful in attracting significant PEP assets in the transfer market.

As at 31 March 2007, Hargreaves Lansdown administered £2.1 billion of assets in Vantage PEP Accounts, representing 28 per cent. of Vantage assets under administration.

Included in the categorisation of Vantage PEP are a number of legacy PEP products including the Group's Single Company PEP and General PEP. These are also nominee accounts but operate under different terms and conditions and charging structures to the Vantage PEP Account. As at 31 March 2007, the value of assets under administration in the Vantage PEP was £2,122 million, of which the value of legacy PEP products represented £152 million, or 7 per cent. of the total. This proportion is expected to decline in the future.

Vantage ISA Accounts

The Vantage ISA Account is a nominee account for ISA eligible investments. The maximum new subscription which a client is permitted to make each year is currently £7,000. Investments held in an ISA are not subject to personal income tax or capital gains tax.

The Group benefits from a significant level of recurring net inflows into Vantage ISA Accounts as clients seek each year to utilise their annual subscription limits and take advantage of the tax benefits offered by ISAs.

The Group was named "Best ISA Funds Provider 2005" in *The Guardian's* Consumer Finance Awards.

As at 31 March 2007, Hargreaves Lansdown administered £2.5 billion of assets in Vantage ISA Accounts, representing 34 per cent. of Vantage assets under administration.

Vantage Fund and Share Accounts

The Vantage Fund and Share Account is a nominee account without tax advantages or subscription limits. The Vantage Fund and Share Account holds collective investment funds, equities, gilts, cash and corporate bonds for clients.

As at 31 March 2007, Hargreaves Lansdown administered £1.7 billion of assets in Vantage Fund and Share Accounts, representing 23 per cent. of Vantage assets under administration.

Vantage SIPP Accounts

The Vantage SIPP Account is a nominee account for SIPP eligible investments.

Hargreaves Lansdown launched its SIPP Account in 2003. Since then, SIPP assets under administration have grown strongly, reaching £1.1 billion as at 31 March 2007, representing 15 per cent. of Vantage assets under administration.

Hargreaves Lansdown is a market leader in SIPPs and was named "Best SIPP Manager 2005" by *Investors Chronicle* and "Best SIPP Provider 2005" by *Shares Magazine*.

The Directors believe that, subject to market conditions, the Group will continue to experience strong growth in SIPPs, both with respect to new subscriptions and transfers by individuals from other pension schemes, reflecting the increased contribution allowances and increased eligibility post A-Day and the flexibility and transparency of the SIPP product.

An important characteristic of SIPP assets from the Group's perspective is the likely longevity of the revenues they will generate for the Group. From April 2010 onwards, investors will not be able to take retirement benefits before the age of 55. For as long as Hargreaves Lansdown remains the provider of the SIPP, it will continue to be remunerated for administration of the assets. The breadth of products offered by the Group, including unit trusts, OEICs, equities, bonds and cash account facilities, is well-suited to the SIPP product where a wider range of asset classes constitute allowable assets for tax purposes. The Group provides a cash facility as part of the SIPP to enable clients to reduce their exposure to certain asset classes in favour of cash. As a result, the Directors believe that the Group should be successful in attracting and retaining SIPP assets even in more challenging market conditions.

In addition, the Directors believe that active private investors saving for their pension typically make a contribution each year irrespective of market conditions.

Vantage – Other benefits to Hargreaves Lansdown

The success of Vantage has not only been in facilitating clients' transactional requirements in a simple, efficient and cost effective manner but also in encouraging clients to transfer more of their existing investment assets to the platform to benefit from ease of administration and loyalty bonuses, where payable. This has enabled Hargreaves Lansdown to achieve high client retention rates, undertake targeted cross-selling and capture a greater share of investment-related revenue from that client.

	<i>30 June</i> <i>2004</i> <i>£'000</i>	<i>30 June</i> <i>2005</i> <i>£'000</i>	<i>30 June</i> <i>2006</i> <i>£'000</i>	<i>31 December</i> <i>2006</i> <i>£'000</i>	<i>31 March</i> <i>2007</i> <i>£'000</i>
Average Assets Per Client	15.8	21.5	28.5	33.8	35.7
<i>Increase/(decrease) on prior period end</i>	—	36%	33%	19%	6%

In addition, the Directors believe that the Vantage business model offers Hargreaves Lansdown a significant opportunity to increase operating margins in the medium term as clients conduct more of their business online.

For the financial year ended 30 June 2006, revenues attributable to Vantage totalled £35.2 million, representing an increase of approximately 61 per cent. over the prior year period and representing approximately 48 per cent. of total Group revenues.

For the six months ended 31 December 2006, revenues attributable to Vantage totalled £22.4 million, representing an increase of approximately 53 per cent. over the six month period to 31 December 2005 and representing approximately 52 per cent. of total Group revenues.

6.3 *Third Party*

For management and reporting purposes, Hargreaves Lansdown categorises those investment products which are not held in Vantage or other nominee accounts as "Third Party".

In these instances, Hargreaves Lansdown acts simply as distributor and does not maintain the administration responsibilities for the investments.

As Hargreaves Lansdown focuses on encouraging clients to hold assets in Vantage, Third Party fund and personal pension business is expected to decline over time. Consequently, the Directors expect that Third Party new business in the short to medium term is likely to be represented by sales of corporate pensions, annuities and term assurance.

For the financial year ended 30 June 2006, revenues attributable to Third Party business totalled £17.1 million, representing an increase of approximately 31 per cent. over the prior year period and representing approximately 23 per cent. of total Group revenues.

For the six months ended 31 December 2006, revenues attributable to Third Party business totalled £8.6 million, representing an increase of approximately 6 per cent. over the six month period to 31 December 2005 and representing approximately 20 per cent. of total Group revenues.

Within Third Party business, there are three distinct product areas: Third Party Investments, Corporate Solutions (representing third party corporate pensions) and Third Party personal pensions.

(a) Third Party Investments

Third Party Investments comprise those investment products which are not held in Vantage or Group nominee accounts.

The volume of new Third Party Investments business is expected to decline as Hargreaves Lansdown focuses on bringing new and existing client assets onto Vantage. Loyalty bonuses are only paid with respect to qualifying funds held in Vantage, other than with respect to the Vantage SIPP Account where no loyalty bonuses are paid. As a result, there is a significant incentive for clients to move existing Third Party Investments to the Vantage PEP, ISA and Fund and Share Accounts.

However, the Group still promotes Third Party Investments as a means of generating new clients to whom other Group products and services, in particular Vantage, can be provided in the future.

For the financial year ended 30 June 2006, revenues attributable to Third Party Investments totalled £7.6 million, representing an increase of approximately 10 per cent. over the prior year period and representing approximately 44 per cent. of total Third Party revenues.

For the six months ended 31 December 2006, revenues attributable to Third Party Investments totalled £3.1 million, representing a decline of approximately 14 per cent. over the six month period to 31 December 2005 and representing approximately 36 per cent. of Third Party revenues.

(b) Corporate Solutions

The Corporate Solutions division was established in 1999 and provides advice to companies on their group pension strategy. The division specialises in contract-based defined contribution pension schemes, providing group personal pensions, group stakeholder pensions and group SIPPs. The division also provides an annuity quotation service for retiring employees of corporate clients.

The majority of Corporate Solutions' revenues are derived from acting as adviser to its corporate clients on the selection of the appropriate provider of a group pension scheme. The Directors believe that Corporate Solutions is one of the largest brokers of contract-based defined contribution schemes in the UK.

In its capacity as adviser with respect to contract-based defined contribution schemes, Corporate Solutions had 322 corporate clients as at 31 March 2007, including ITN, Gap, Dyson, Nomura and Body Shop.

The division provides advice on such matters as:

- (i) moving from traditional trust-based pensions to contract-based schemes. This is particularly relevant in the light of legislative change to consolidate tax regimes which has led a significant number of employers to consider a switch from trust-based to contract-based schemes to mitigate liability;
- (ii) communicating the pension scheme to employees; and
- (iii) delivery of bespoke administration processes.

Corporate Solutions earns revenue in the form of initial commission from establishing or broking group pension schemes. The division also benefits from an element of recurring income as it continues to receive initial commission as new employees join the corporate schemes to which it is a broker. In the financial year ended 30 June 2006, approximately 21 per cent. of the initial commission earned by Corporate Solutions related to new employees joining existing pension schemes.

Since April 2006, the Group has also offered a group SIPP. This product includes a fully functional website for employers to process their contributions, make enquiries and maintain their data. The Group will also develop for corporate clients a branded site for employees to access their personal details, transaction history and valuation. The Directors believe that the group SIPP represents a significant opportunity for Hargreaves Lansdown to increase assets under administration in Vantage. Launched in 2006, Hargreaves Lansdown had 36 group SIPP clients as at 31 March 2007 and a healthy pipeline of prospective clients.

	30 June 2004	30 June 2005	30 June 2006	31 December 2005	31 December 2006
<i>Corporate Solutions</i>					
Number of corporate pension schemes	344	370	407	387	395
<i>Analysis of corporate pension schemes by number of scheme members</i>					
Schemes with fewer than 20 members	266	269	264	270	232
Schemes with 20 to 99 members	55	68	89	76	100
Schemes with 100 or more members	23	33	54	41	63
Total number of corporate pension schemes	344	370	407	387	395

In addition, the Group offers an annuity quotation service for the retiring employees of its corporate clients. The number of companies using the Group's retirement annuity service has grown from 32 as at 30 June 2004 to 93 as at 31 March 2007. This includes 14 FTSE 100 companies including BP, BT Group, J Sainsbury and Daily Mail and General Trust, as well as Woolworths and WH Smith.

Corporate Solutions also acts as a business generator for the Advisory business. The clients referred by Corporate Solutions to the Advisory business are generally senior employees from some of the Group's larger corporate clients seeking advice about their investments and retirement planning.

For the financial year ended 30 June 2006, revenues attributable to Corporate Solutions totalled £7.5 million, representing an increase of approximately 92 per cent. over the prior year period and representing approximately 44 per cent. of total Third Party revenues.

For the six months ended 31 December 2006, revenues attributable to Corporate Solutions totalled £4.1 million, representing an increase of approximately 14 per cent. over the six month period to 31 December 2005 and representing approximately 48 per cent. of Third Party revenues.

(c) *Third Party personal pensions*

The Group also offers Third Party personal and stakeholder pensions to clients. However, since the launch of the Vantage SIPP, Hargreaves Lansdown has reduced its marketing of stakeholder and personal pensions in favour of the Vantage SIPP.

As a result, the Directors expect new Third Party personal and stakeholder pensions business to decline over time, reflecting the Group's focus on the Vantage SIPP.

The Group also offers an annuity service for clients. Hargreaves Lansdown was one of the first brokers to launch an online annuity supermarket to make it easy for clients to obtain several alternative quotes. Hargreaves Lansdown is now one of the largest brokers of annuities in the UK.

The Group is focused on promoting the benefits of seeking alternative quotes for annuities upon retirement rather than remaining with the client's existing pension provider. The market for annuities almost trebled in the ten years between 1994 and 2003. Furthermore, it is forecast to grow to £18.1 billion by 2012, more than twice its size in 2002¹.

¹ Source: Association of British Insurers

For the financial year ended 30 June 2006, revenues attributable to Third Party personal pensions totalled £1.9 million, representing a decrease of approximately 17 per cent. over the prior year period and representing approximately 11 per cent. of total Third Party revenues. The decrease in part reflects the Group's reduced focus on Third Party personal pensions in favour of the Vantage SIPP.

For the six months ended 31 December 2006, revenues attributable to Third Party personal pensions totalled £1.4 million, representing an increase of approximately 75 per cent. over the six month period to 31 December 2005 and representing approximately 16 per cent. of Third Party revenues. The increase is explained by greater activity in the sale of term assurance and annuities.

6.4 Discretionary

The Discretionary business comprises the Hargreaves Lansdown multi-manager funds and PMS, the Group's discretionary portfolio management service.

(a) Multi-manager funds

As at 31 March 2007, the Group managed approximately £894 million of multi-manager funds. These funds represent diversified portfolios of unit trusts and OEICs and are promoted to clients as a ready-made solution for those who do not have the time, inclination or expertise to build their own portfolios.

As at 31 March 2007, approximately 53 per cent. of Hargreaves Lansdown multi-manager funds under management were sourced through PMS. Approximately 45 per cent. of the funds invested in the Group's multi-manager funds have been sourced through Vantage, with the remainder through direct investment.

Currently, the Group offers four unit trusts, namely:

- (i) HL Multi-Manager Balanced Managed Trust;
- (ii) HL Multi-Manager Special Situations Trust;
- (iii) HL Multi-Manager Income and Growth Portfolio Trust; and
- (iv) HL Multi-Manager Cautious Managed Trust.

Set out below is the growth in assets under management in Hargreaves Lansdown multi-manager funds.

	30 June 2004 £'m	30 June 2005 £'m	30 June 2006 £'m	31 December 2006 £'m	31 March 2007 £'m
Balanced Managed	44.6	71.7	131.2	175.8	205.4
Special Situations	30.0	59.5	146.1	196.6	241.0
Income and Growth	78.4	169.4	278.1	377.3	428.9
Cautious Managed	—	—	1.4	8.5	18.3
Total	153.0	300.6	556.8	758.2	893.6
<i>Increase/(decrease) on prior period end</i>	—	96%	85%	36%	18%
FTSE All Share	2,229	2,560	2,968	3,221	3,283
<i>Increase/(decrease) on prior period end</i>	—	15%	16%	9%	2%

Hargreaves Lansdown earns management fees on these funds. The annual management charge on each fund is 1 per cent. which compares favourably with third party multi-manager funds where the charge is generally 1.5 per cent. Hargreaves Lansdown discounts in full initial commissions on these multi-manager funds when acquired through Vantage and PMS.

In 2005, Hargreaves Lansdown was named "Best Fund of Funds Manager" by the *Investors Chronicle*.

(b) Portfolio Management Service (PMS)

Launched in December 2002, PMS is a discretionary portfolio management service for clients who do not wish to choose and manage their own investments. As at 31 March 2007, the Group had £698 million under management in PMS, of which £471 million was invested in Hargreaves Lansdown multi-manager funds.

PMS aims to provide a premium service for the investment portfolio of individuals having in excess of £100,000 of liquid assets. The PMS proposition is an extension of the multi-manager approach using the Hargreaves Lansdown multi-manager funds in addition to specialist equity and fixed income holdings to diversify the risk.

Asset allocation is determined in accordance with defined criteria which reflect each client's risk appetite.

As at 31 March 2007, PMS had 5,915 clients with an average portfolio size of around £118,000.

Set out below is the growth in assets under management in PMS.

	30 June 2004 £'m	30 June 2005 £'m	30 June 2006 £'m	31 December 2006 £'m	31 March 2007 £'000
PMS	139	275	493	630	698
<i>Increase/(decrease) on prior period end</i>	—	98%	79%	28%	11%
FTSE All Share	2,229	2,560	2,968	3,221	3,283
<i>Increase/(decrease) on prior period end</i>	—	15%	16%	9%	2%

An initial charge is payable by the client dependent on the value of assets invested. This ranges from 3 per cent. to 1 per cent. The average initial charge for the financial year ended 30 June 2006 was 2.3 per cent. In addition, there is an annual charge with a standard rate of 0.475 per cent.

All new client enquiries received by the Group with respect to PMS are referred to Financial Practitioners. PMS pays the initial charge and the annual management charge to Financial Practitioners and accounts for its revenue net of these payments.

For the financial year ended 30 June 2006, revenues attributable to Discretionary business totalled £4.4 million, representing an increase of 91 per cent. over the prior year period and representing approximately 6 per cent. of total Group revenues.

For the six months ended 31 December 2006, revenues attributable to Discretionary business totalled £3.2 million, representing an increase of 78 per cent. over the six month period to 31 December 2005 and representing approximately 7 per cent. of total Group revenues.

6.5 Advisory

Hargreaves Lansdown's private client Advisory business represents an attractive complement to the rest of the Group's activities.

The Advisory activities are undertaken by Hargreaves Lansdown Financial Practitioners. The Advisory division comprises approximately 65 Financial Practitioners based in the Group's offices in Bristol and working from home in locations across the UK. The Financial Practitioners are salaried employees of Hargreaves Lansdown who are independent and not tied to any bank, investment house or insurance company. They are backed by a team of administrators to ensure a high level of client service.

The Advisory business provides a wide range of advisory services to clients including retirement options and planning, savings and investments, inheritance tax planning, life assurance and protection, pensions management including pensions transfers, and annuities.

The Advisory division represents an additional distribution channel for the Group's services and products. The division pro-actively targets the more affluent existing clients of the Group, typically homeowners having in excess of £100,000 of liquid assets who are seeking investment advice, or those within five years of retirement seeking advice on pension arrangements.

The Advisory division benefits from the Group's broader marketing activities, including publication of the *Investment Times* and the Group's high visibility in the personal finance media. The Advisory division also receives client referrals from Corporate Solutions. These clients are generally higher earning senior employees from some of Corporate Solutions' larger corporate clients seeking advice about their investments and retirement planning.

The division represents the sole distribution channel for PMS. All new client enquiries received by the Group with respect to PMS are referred to the Advisory division's Financial Practitioners. In the financial year ended 30 June 2006, approximately 70 per cent. of the Advisory division's revenue was derived from client investments in PMS. The division also leverages other Group activities to capture a greater share of investment related revenue from each client.

Advisers may charge either on a fee or commission basis, or a combination of the two, as agreed with the client.

Research suggests there are declining numbers of IFAs servicing the population as IFAs seek to contend with costly insurance cover and increasing regulation. Given its scale and breadth of activities, this presents an opportunity for Hargreaves Lansdown.

Hargreaves Lansdown has received numerous awards reflecting its established position in the advisory market, including "Best Independent Financial Adviser 2005" by *What Investment*, "Best IFA Readership Award 2005" by *Personal Finance Magazine*, "Best Pension Adviser 2006", "IFA of the Year 2006" and "Best Retirement Planner 2007" by *Money Marketing* and "Best Independent Adviser 2006" by *What Investment*.

For the financial year ended 30 June 2006, revenues attributable to the Advisory division totalled £8.2 million, representing an increase of 46 per cent. over the prior year period and representing approximately 11 per cent. of total Group revenues.

For the six months ended 31 December 2006, revenues attributable to the Advisory division totalled £5.2 million, representing an increase of 41 per cent. over the six month period to 31 December 2005 and representing approximately 12 per cent. of total Group revenues.

6.6 *Stockbroking*

Hargreaves Lansdown Stockbrokers provides a dealing service in a wide range of investments including equities (including VCTs and investment trusts), corporate bonds, gilts and covered warrants. It also offers a certificated dealing service for clients who hold, or wish to hold, share certificates in their own name. Through its relationships with third party providers, Hargreaves Lansdown Stockbrokers also offers specialist broking services in CFDs, spread betting, FX trading and other currency services.

Hargreaves Lansdown Stockbrokers undertakes all the dealing requirements of Vantage clients wishing to trade investments in their Vantage PEP, ISA, SIPP and Fund and Share Accounts, as well as for non-Vantage clients. This division also conducted trading services for a third party under a contract which was terminated by the Group in November 2006. In the financial year ended 30 June 2006, approximately 41 per cent. of all equity trades executed by Hargreaves Lansdown Stockbrokers originated from Vantage (49 per cent. excluding trades placed under the third party contract). Clients are unable to trade in Vantage without using Hargreaves Lansdown Stockbrokers. The commission earned by offering trading services to Vantage clients appears as revenue in the Vantage division.

With a large client base through Vantage, Hargreaves Lansdown has been able to avoid competing solely on price, as has been a feature of the wider retail stockbroking market.

For non-Vantage clients, Hargreaves Lansdown Stockbrokers offers a nominee service (primarily the Securities Management Account) for the purchase and sale of investments including equities, corporate bonds, gilts and covered warrants. As at 31 March 2007, Hargreaves Lansdown Stockbrokers held £236 million of assets on behalf of clients in its non-Vantage nominee accounts.

Hargreaves Lansdown Stockbrokers' Securities Management Account has enabled it to build up an element of recurring fee income in addition to transactional charges, through the imposition of a quarterly management charge.

However, since the establishment of the Vantage Fund and Share Account for holding investments outside a tax wrapper, the Securities Management Account has been less heavily promoted and the Directors believe that these assets will migrate over time to the Vantage Fund and Share Account.

Since 2000, Hargreaves Lansdown has offered an online trading service. In the financial year ended 30 June 2006, approximately 35 per cent. of all equity trades were placed online (40 per cent. excluding trades placed under the third party contract).

Hargreaves Lansdown has positioned itself as a leading retail broker in government privatisations and has acted as retail broker in a number of other flotations. This has presented profitable opportunities and has also represented a valuable source of new client leads for the Group's wider activities.

As clients have broadened their focus beyond dealing in individual equities to other asset classes, Hargreaves Lansdown Stockbrokers has entered into a number of specialist areas such as CFDs, spread betting and FX trading. With respect to these products, the Group works with specialist providers and does not incur principal or risk taking positions.

Stockbroking commission is earned from both purchase and sale transactions. The commission charge depends upon numerous factors including, *inter alia*, the value of the trade, the instrument traded, the manner in which the trade is placed (internet, phone or by post) and any promotional or beneficial pricing tariffs that may be applicable.

Hargreaves Lansdown Stockbrokers aims to provide knowledgeable dealers, competitive prices, niche services and high quality research.

Hargreaves Lansdown was awarded "Best Online Broker Customer Service 2006" by *Investors Chronicle*.

For the financial year ended 30 June 2006, revenues attributable to the Stockbroking division totalled £7.5 million, representing an increase of approximately 14 per cent. over the prior year period and representing approximately 10 per cent. of total Group revenues.

For the six months ended 31 December 2006, revenues attributable to the Stockbroking division totalled £2.9 million, representing a decrease of approximately 15 per cent. over the six month period to 31 December 2005 and representing approximately 7 per cent. of total Group revenues. This decrease resulted in part from the cessation of the third party dealing contract terminated by the Group in November 2006.

6.7 *Marketing and distribution*

(a) *Marketing*

Hargreaves Lansdown is a business with a strong brand and a reputation for providing high quality, transparent and good value investment products and services on competitive terms.

Hargreaves Lansdown's client base comprises predominantly private investors who like to make their own investment decisions. The Group has over 350,000 active clients and in addition has a confidential database of approximately a further 1.2 million private investors to whom the Group markets on a targeted basis.

The Group adopts a focused and direct marketing strategy which incorporates selective advertising, public relations activity and targeted direct mail and online marketing to carefully selected segments of its database.

The key values of Hargreaves Lansdown's marketing strategy are to provide high quality, relevant investment information in an uncomplicated, jargon-free manner.

The Group's principal publication is the *Investment Times*. This is devoted purely to investment matters and includes articles on the stockmarket, topical investment themes, tax savings opportunities and profiles of particular funds which Hargreaves Lansdown favours in the light of prevailing market conditions. Three times a year, the *Investment Times* includes a *Performance and Discount Review*, which provides comment on the performance of the 'Wealth 150 Funds' selected by the Group's research team and which compares the performance, charges and discounts of approximately 750 leading collective investment funds.

The *Investment Times* also includes an application pack. The application pack is simple and allows clients to subscribe for almost any investment product distributed by the Group. By combining information on selected funds and investment ideas together with a straightforward application pack, the Directors believe that the Group increases the level of business its clients undertake.

The *Investment Times* has a circulation per issue of up to 760,000 private investors. The distribution of each issue is determined by its content and prevailing market conditions. Since September 2006, there have been eight publications of the *Investment Times* with an average circulation per issue of 445,000 private investors.

In addition to the regular publication of the *Investment Times*, the Group proactively targets specific segments of its client base and potential clients with a number of other publications, including *SIPP Times*, *SIPP Guide*, *ISA Guide*, *Regular Savings Guide*, *VCT News*, *AIM Insight*, *Inside The City*, *Finances In Your 20s and 30s*, *Finances In Your 40s*, *Finances In Your 50s*, *Surviving Retirement Guide*, *Guide to Investment Risk and Reward* and *Attractive Perks For UK Shareholders*. The Group also sends regular emails providing details on fund performance and key events to relevant clients. In the calendar year ended 31 December 2006, the Group circulated approximately 12.3 million publications, emails and research alerts to its list of investors.

In order to maintain client satisfaction and encourage new business, the Group strives to ensure that the mailings sent are relevant and that any application procedures are easy to follow.

An important element of Hargreaves Lansdown's profile is achieved through commentary and quotation in the media on current issues affecting the financial markets and private investors. Hargreaves Lansdown has been very successful in establishing the Group as an expert in its field with the national press. Presswatch Media Monitoring and Evaluation cited Hargreaves Lansdown as the most quoted retail investment intermediary in 2005 and 2006. The Group also advertises selectively in the personal finance sections of the national press.

The Directors believe that the high visibility of Hargreaves Lansdown's brand in the national press as well as investment and trade publications has been influential in attracting new clients to the Group.

(b) Distribution

The Group's distribution strength is well known throughout the retail investment funds industry.

The Group's powerful distribution capability is demonstrated by its position as the largest direct-to-private investor distributor of collective investment funds in the UK in 2006 for many of the leading fund management groups, including Fidelity, Invesco Perpetual, Schroders, Jupiter, Artemis and JP Morgan.

In addition, the Group's business model enables it to reach large numbers of prospective private investors quickly and easily to take advantage of new investment opportunities. As a result, Hargreaves Lansdown has a strong track record of generating significant demand in relation to new fund launches.

7 OPERATIONS AND INFORMATION TECHNOLOGY

Hargreaves Lansdown's operations and information technology strategy is designed to provide scalability to, and facilitate the efficient growth of, the Group's business. To achieve this, the Group has preferred to develop and maintain key systems in-house.

In an industry characterised by the continual development of new facilities and functionality to respond to increasing product and client sophistication, the Directors believe that in-house infrastructure capabilities afford the Group greater flexibility and control over its administrative services and allow the delivery of high quality client service.

Hargreaves Lansdown employs 63 IT staff in its in-house application and web development teams. The Group has developed bespoke IT applications to support the key business processes. Targeted marketing is undertaken through the firm's client database application, Spidermail, and

client accounting and investment management (including the administration of Vantage and PMS) is handled by the Group's Broker Focus system. Both applications are supported and further developed by the Group's internal team.

By preferring in-house administration to outsourcing, the Directors believe the Group has been better able to control development costs while continuing to benefit from its scalable business model. Cost efficiencies have been achieved as a result of a high proportion of the internally developed IT infrastructure being applied for the benefit of more than one division of the Group, which helps to ensure that the Group maximises its economies of scale.

In addition, substantial investment continues to be made in the Group's internet trading platform. The Directors believe that the substantial investment in this platform has created a robust and easy-to-use client interface which provides an important competitive advantage for attracting and retaining clients.

8 PROPERTY

The Group currently operates from four leasehold properties in central Bristol, but is exploring the possibility of re-locating to a single site, probably in 2009, and is at an advanced stage of subject-to-contract negotiations in this regard. The Group's principal office is at Kendal House, Clifton, the landlords of which are Peter Hargreaves and Stephen Lansdown in a personal capacity.

Further details of these arrangements and the Group's properties generally are set out in paragraphs 15 and 18.2 of Part X ("Additional Information") of this document.

9 COMPLIANCE AND REGULATION

Details of the regulatory environment in which the Group operates, the Regulated Subsidiaries and certain areas of business risk are set out in Part IX ("Compliance and Regulation").

10 EMPLOYEES

As at 31 March 2007, the Group had 655 employees. The split of employees by function for the financial years ended 30 June 2004, 30 June 2005 and 30 June 2006 is set out in paragraph 9 of Part X ("Additional Information") of this document. All of Hargreaves Lansdown's employees are based in the Group's Bristol offices, with the exception of 34 Financial Practitioners who work from home and two employees who are based in London.

The Group maintains a cash and equity based compensation culture for its senior employees. Compensation for other employees is by way of salary and discretionary cash bonus, where appropriate. The Group also operates a voluntary defined contribution pension scheme. Further details of employee share schemes and pension arrangements are set out in paragraphs 10 and 11 of Part X ("Additional Information") of this document.

11 EMPLOYEE SHARE OWNERSHIP

Under the Offer, 118,579,725 Ordinary Shares are to be sold, representing 25 per cent. of the Ordinary Share Capital on Admission. Ordinary Shares are being sold in the Offer by the Selling Shareholders in the amounts set out in paragraph 14 of Part X ("Additional Information"). With the exception of the Trustee of the EBT, each of the Selling Shareholders is an employee (or connected person of an employee) of the Group. Following Admission, 68.33 per cent. of the Ordinary Share Capital of the Company will be held by the Directors and Senior Managers, 2.81 per cent. of the Ordinary Share Capital will be held by other employees and 3.86 per cent. will be held by the EBT.

Pursuant to the Qualifying Offer, Qualifying Employees may apply to purchase Ordinary Shares. While it is not possible to predict the level of employee shareholding following Admission, the Directors believe that the level of Ordinary Shares held by the Group's employees will be such as to ensure significant alignment of interest between employees of the Group and Shareholders generally.

12 SUMMARY FINANCIAL DATA

The summary financial information set out below has been extracted without material adjustment from the Financial Information set out in Part VI of this prospectus. Potential investors should read the whole of this prospectus and should not rely solely on key or summarised information.

	<i>Year ended 30 June 2004 £'000</i>	<i>Year ended 30 June 2005 £'000</i>	<i>Year ended 30 June 2006 £'000</i>	<i>6 months ended 31 December 2005 Unaudited £'000</i>	<i>6 months ended 31 December 2006 £'000</i>
Total operating income	42,520	50,379	73,460	32,192	43,341
Administrative expenses	(32,591)	(37,290)	(49,190)	(21,315)	(26,165)
Exceptional administrative expenses	(3,903)	(451)	(19,627)	—	(336)
Total administrative expenses	(36,494)	(37,741)	(68,817)	(21,315)	(26,501)
Share of results of associates	(57)	(3)	—	—	—
Total operating costs	(36,551)	(37,744)	(68,817)	(21,315)	(26,501)
Operating profit	5,969	12,635	4,643	10,877	16,840
Analysed as:					
Operating profit before exceptional administrative expenses	9,872	13,086	24,270	10,877	17,176
Exceptional administrative expenses	(3,903)	(451)	(19,627)	—	(336)
Operating profit	5,969	12,635	4,643	10,877	16,840
Investment revenues	840	1,833	2,919	719	492
Other gains and losses	—	36	35	—	3,196
Profit before tax	6,809	14,504	7,597	11,596	20,528
Tax	(1,876)	(4,172)	(1,584)	(3,255)	(6,405)
Profit for the period	4,933	10,332	6,013	8,341	14,123

The summary financial information set out above is in respect of continuing operations.

13 CURRENT TRADING AND PROSPECTS

Since 31 December 2006, the Group has continued to trade in line with the Directors' expectations and they view the Group's financial and trading prospects for the current financial year ending 30 June 2007 with confidence.

In the 2006/07 tax year (ended 5 April 2007), the Group achieved record sales of ISAs and SIPPs:

- new ISA contributions totalled approximately £420 million, compared to £314 million in the 2005/06 tax year, an increase of over 30 per cent.; and
- investments into SIPPs (including transferred business) totalled approximately £720 million, more than three and a half times the £193 million raised in the 2005/06 tax year.

In total, the Group achieved gross new business inflows to Vantage of £2.3 billion in the 2006/7 tax year, an increase of some 75 per cent. over the prior tax year. As at 31 March 2007, assets under administration within Vantage totalled £7.4 billion (£6.6 billion as at 31 December 2006).

The Group has a scaleable business model and has increased its Operating Profit Margin from 23 per cent. in the financial year ended 30 June 2004 to 33 per cent. in the financial year ended 30 June 2006. The Directors believe that the Group's business model allows further scope to expand its Operating Profit Margin.

Looking ahead, the Directors believe that the growth prospects for Hargreaves Lansdown are attractive, subject to satisfactory market conditions.

14 REASONS FOR ADMISSION

Admission of the Ordinary Shares to the Official List will enhance the Group's profile and status with existing and potential clients. In addition, obtaining a market quotation for the Ordinary Shares will enhance the Group's strategic flexibility and provide an additional

incentivisation mechanism for retaining and attracting existing and future employees. The Offer will also provide existing Shareholders with a market for their Ordinary Shares and an opportunity to realise part of their investment.

15 DIVIDEND POLICY

The Directors intend to adopt a progressive dividend policy that will reflect the long-term earnings and cash flow potential of the Group as well as the Group's currently modest investment and regulatory capital requirements.

An interim dividend was declared by the Board on 26 April 2007 for payment on 21 May 2007 to shareholders on the register as at 1 May 2007. Further details of such interim dividend can be found at note 33 to the historical financial information in Section A of Part VI ("Financial Information on the Group") of this document. There will be no final dividend paid in respect of the financial year ended 30 June 2007.

It is expected that the Company will pay an interim dividend in respect of the financial year ended 30 June 2008 in March 2008 and a final dividend in respect of that year by September 2008. In respect of the financial year ended 30 June 2008, the Directors expect that the interim and final dividend will, in aggregate, represent not less than 60 per cent. of profit after tax.

In circumstances where capital is accumulated in the Group which the Directors believe to be surplus to the Group's requirements, the Directors intend to return surplus capital to shareholders in an appropriate manner, including by way of special dividend.

For further information relating to dividends see paragraph 3.6 of Part II ("Risk Factors") of this document.

Part IV

Directors and Senior Managers

1 DIRECTORS AND SENIOR MANAGERS OF THE GROUP

Details of the Company's Directors and Senior Managers, each of whose business address is Kendal House, 4 Brighton Mews, Clifton, Bristol BS8 2NX, are set out below¹:

1.1 *The Board of Directors*

(a) Jonathan Bloomer – Senior Non-executive Director (aged 53)

Jonathan Bloomer became a Non-executive Director of the Company in 2006. Jonathan is currently a partner in Cerberus European Capital Advisers LLP and is executive chairman of Lucida plc. 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.

(b) Michael Evans – Non-executive Director (aged 45)

Michael Evans became a Non-executive Director of the Company in 2006. Michael is a qualified actuary with 24 years' industry experience. He is a non-executive director of the retail investor products board of ING Real Estate Investment Management and is director of life insurance at Pinsent Masons². Michael was formerly Chief Operating Officer at Skandia UK Limited.

(c) Stephen Lansdown – Chairman (aged 54)

Stephen Lansdown co-founded Hargreaves Lansdown in 1981. Previously, he qualified as a Chartered Accountant in 1975 and specialised in taxation with Touche Ross & Co. Stephen is also Chairman of Bristol City Football Club. Prior to its acquisition by Euroclear Plc, Stephen was a non-executive director of EMX Company Limited. Stephen is a Fellow of the Securities & Investment Institute.

(d) Peter Hargreaves – Chief Executive (aged 60)

Peter Hargreaves 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 a non-executive director of ITM Power Plc. Peter is a Member of the Securities & Investment Institute.

(e) Martin Mulligan – Group Finance Director (aged 36)

Martin Mulligan joined Hargreaves Lansdown in 1996. He joined the board of Hargreaves Lansdown Asset Management in 2000 and the Board in 2001. Prior to joining Hargreaves Lansdown, Martin qualified as a Chartered Accountant. He is a Fellow of the Securities & Investment Institute and has an MBA from the University of Liverpool.

1.2 *Senior Managers*³

(a) Mary Theresa Barry – Group Marketing Director (aged 48)

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.

(b) Nigel Bence – Group Compliance Director (aged 35)

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.

¹ All ages are as at 30 April 2007.

² Neither of these positions are formal directorships under the Act.

³ None of the Senior Managers are Directors on the Board of the Company, but all are directors of various subsidiaries within the Group.

- (c) Andrew Christian – Managing Director Vantage and Broking Operations (aged 39)
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 as a dealer. Andrew was appointed Director of Hargreaves Lansdown Stockbrokers in 1998. He took over responsibility for all Vantage operations in 2003.
- (d) Mark Dampier – Head of Research (aged 50)
Mark has a BA Honours in Law, as well as the Investment Management Asset Allocation Certificate and Financial Planning Certificates 1, 2, and 3. Mark began his career in financial services in 1983, working for a London brokerage. He joined Hargreaves Lansdown in 1998 and joined the board of Hargreaves Lansdown Asset Management in 2000 as Research Director.
- (e) Alex Davies – Director Hargreaves Lansdown Pensions Direct (aged 31)
Alex graduated from the University of Kent at Canterbury with a 2:1 in Politics and International Relations. He joined Hargreaves Lansdown in 1999 to help expand Hargreaves Lansdown Pensions Direct. He holds Financial Planning Certificate 1, 2, and 3, and a Diploma in Direct and Interactive Marketing (credit) from the Institute of Direct Marketing. Alex joined the Board of Hargreaves Lansdown Pensions Direct in 2006.
- (f) Lee Gardhouse – Investment Director Hargreaves Lansdown Fund Managers (aged 33)
Lee graduated from Liverpool John Moores University with a BA in Economics. Lee joined Hargreaves Lansdown as a trainee fund manager in 1995. Lee passed the Associate exams of the Institute of Investment Management and Research. 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.
- (g) Stuart Louden – Director Library Information Services (aged 35)
Stuart graduated with a BA (Hons) in Economics and joined Hargreaves Lansdown in 1994 as a trainee fund manager. Stuart passed the Associate exams of the Institute of Investment Management and Research. Stuart formed Funds Library in 2003 to provide data distribution services to Hargreaves Lansdown and other fund management groups.
- (h) Adam Norris – Managing Director Advisory Business (aged 35)
Adam graduated as a BEng (bachelor of engineering) and also holds Financial Planning Certificate 1, 2, and 3. Having first worked in practice as an IFA, Adam joined Hargreaves Lansdown in 1998 to set up Hargreaves Lansdown Pensions Direct. His responsibilities now include corporate pensions and the Financial Practitioner business.
- (i) Tracey Taylor – Group Accounting Director (aged 35)
Tracey holds an MSc in Finance and is also a Member of the Securities Institute (MSI). She joined Hargreaves Lansdown in 1999 from Lloyds TSB Bank Plc. Previously she worked and trained in public practice where she qualified as an accountant in 1992. Her responsibilities include group finance, client accounting and human resources. In 2001, Tracey was appointed to the role of Company Secretary and in 2006 was appointed to the role of Group Accounting Director.

1.3 The interests of the Directors and Senior Managers in Ordinary Shares of the Company are set out in paragraph 7.2 of Part X of this document.

2 CORPORATE GOVERNANCE

2.1 The Board is responsible for the proper management of Hargreaves Lansdown and currently meets at least four times a year.

The Board has overall responsibility for controlling the Group, making decisions relating to the Group's strategic direction and measuring progress towards these goals. In order to ensure it has effective control over the Group's activities, the Board has established an Audit Committee, a Remuneration Committee and a Nominations Committee, as sub-committees of the Board which, on Admission, will have formally delegated duties and responsibilities under written terms of reference.

2.2 *Remuneration Committee*

The Remuneration Committee will be responsible for the framework or broad policy for the fair remuneration of the Executive Directors as well as their performance management. These will be determined with due regard to the interests of the Company and the Shareholders. The Remuneration Committee will meet at least twice per year. It will be chaired by Jonathan Bloomer and will also comprise Michael Evans and Stephen Lansdown.

2.3 *Audit Committee*

The Audit Committee will be 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.

Within the scope of its terms of reference, the Audit Committee will report to the Board on any matter on which it considers that action is required and make recommendations for steps to be taken. In addition, the Audit Committee will have authority to investigate any activity within its terms of reference and is responsible for the resolution of disagreements between management and the external auditor. The Audit Committee will meet at least three times per year. It will be chaired by Jonathan Bloomer and will also comprise Michael Evans and Stephen Lansdown.

It is intended that each of Martin Mulligan, Tracey Taylor and Nigel Bence will be invited to attend and contribute to meetings of the Audit Committee.

2.4 *Nominations Committee*

The Nominations Committee will be 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. It will be chaired by Jonathan Bloomer and will also comprise Michael Evans and Stephen Lansdown.

2.5 *Compliance with Combined Code*

The Board supports high standards of corporate governance. Following Admission, the Board intends to comply with the requirements of the Combined Code, other than as set out below.

The Combined Code recommends that the board of directors of a UK public company should include a balance of executive and non-executive directors and that at least half the board, excluding the chairman, should comprise non-executive directors determined by the board to be independent, and that one non-executive director should be nominated as the senior independent director.

On Admission, Hargreaves Lansdown will have five Directors, comprising three Executive Directors (including the Chairman) and two Non-executive Directors.

The two Non-executive Directors are considered by the Board to be independent for the purposes of the Combined Code. Jonathan Bloomer will be nominated as Hargreaves Lansdown's senior independent director on Admission.

The Directors are aware that the composition of the Board will not be in compliance with the Combined Code's recommendations on board composition following Admission. However, they consider that the composition of the Board will be appropriate, having regard to the successful development of the Group to date, the current size of the Group, the independence of character and integrity of all the Directors and the experience and skills which they will bring to their duties. In due course following Admission, the Directors intend to appoint a further independent non-executive director with skills complementary to the Group's strategy, in order to expand and develop the non-executive representation on the Board.

The Combined Code also recommends that both the Remuneration Committee and the Audit Committee should comprise at least three or, in the case of smaller companies, two directors, all of whom should be independent non-executive directors.

Each of the Remuneration Committee and the Audit Committee is not comprised solely of independent Non-executive Directors and is therefore not strictly in compliance with the principle of the Combined Code that these committees comprise only independent non-executive directors. However, the Directors consider that the Remuneration and Audit Committees will, in practice, operate in compliance with the Combined Code's principles of independence.

It is intended that upon appointment, the further independent non-executive director referred to above will replace Stephen Lansdown on the Audit Committee, Nominations Committee and Remuneration Committee.

Part V

Operating and Financial Review

The following review of the Group's financial condition and results of operations should be read in conjunction with the historical financial information set out in Section A of Part VI ("Financial Information on the Group") of this document. Prospective investors should read the whole document and not just rely on key or summarised information set out in this Part V. The financial information in this Part V has been extracted without material adjustment from the financial information in Section A of Part VI ("Financial Information on the Group") or from the unaudited accounting records which formed the underlying basis of such information. Information regarding assets under administration as at 31 March 2007 has been sourced from the Group's unaudited accounting records. Information in respect of FTSE comparative data in this Part V has been sourced from Datastream. This Part V 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 factors, including those set out in Part II ("Risk Factors") and elsewhere in this document.

1 OVERVIEW

Hargreaves Lansdown is a leading provider of investment management products and services to private investors in the UK. The Group has over 350,000 active clients.

The Group's flagship service, Vantage, is a direct-to-private investor fund supermarket and wrap platform. As at 31 March 2007, Vantage administered £7.4 billion of assets directly on behalf of private investors. By this measure, the Directors believe that it is the largest fund supermarket and wrap platform for the private investor in the UK.

In addition to offering externally managed investment products, Hargreaves Lansdown manages £1.1 billion of funds through its own range of multi-manager funds and PMS, the Group's discretionary portfolio management service, of which some £400 million is held within Vantage.

The historical growth in assets under administration between 30 June 2004 and 31 December 2006 is provided below:

	30 June 2004 £'m	30 June 2005 £'m	30 June 2006 £'m	31 December 2005 £'m	31 December 2006 £'m
Assets Under Administration (AUA)					
Vantage	2,582	3,604	5,355	4,391	6,587
Other	186	199	216	216	233
Assets Under Administration and Management (AUM)					
Portfolio Management Service (PMS)	139	275	493	385	630
Multi-manager funds excluding PMS	70	135	249	194	348
Less Multi-manager funds already included in Vantage AuA	(62)	(127)	(231)	(184)	(325)
Total Assets under Administration	2,915	4,086	6,082	5,002	7,473

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

2 MATERIAL FACTORS AFFECTING RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Hargreaves Lansdown believes that the following factors have had and will continue to have a material effect on its results and financial condition:

- volume of assets under administration held in Vantage;
- new business volumes;
- investment market conditions;

- volume of assets under management in Hargreaves Lansdown's multi-manager funds and PMS;
- growth in the number of large corporate pension clients; and
- staff costs.

Each of these factors is described in further detail in the sections which follow.

2.1 *Volume of Assets under Administration (AUA) held on the Vantage platform*

Hargreaves Lansdown's flagship product is Vantage, an administration service in which clients can hold a wide range of investment products including units trusts, OEICs, equities, bonds, investment trusts and cash. It also provides tax-efficient savings vehicles including PEPs, ISAs and SIPPs through which these investment products may be held. The service includes consolidated reporting, online access, a single dealing service and extensive information to assist clients in selecting their investments.

Hargreaves Lansdown is remunerated by way of a share of the annual management charge from the fund provider. This is known as renewal commission and is paid by the fund providers based upon the value of qualifying funds from that provider held in Vantage. In addition, the Group charges a management fee of 0.5 per cent. on certain investments which do not generate renewal commission.

In the period from 30 June 2003 to 31 December 2006, assets under administration in Vantage have grown significantly, from £1.6 billion at the beginning of the period to £6.6 billion at 31 December 2006, an increase of 313 per cent. This growth in assets reflects the following factors:

- *Clients choosing to transfer more of their wealth to existing Vantage accounts:* In the six month period to December 2006, existing holders of Vantage PEP, ISA or Fund and Share Accounts increased the value of their accounts through transfers and further subscriptions by £308 million compared to £206 million in the six months ended 31 December 2005, an increase of 50 per cent. In the financial year ended 30 June 2006, existing holders of these accounts increased the value of their accounts through transfers and further subscriptions by £591 million compared to £375 million in the financial year ended 30 June 2005, an increase of 58 per cent., and £301 million in the financial year ended 30 June 2004. The total of new business received from these clients between 30 June 2003 and 31 December 2006 was £1.6 billion.
- *New client accounts:* The marketing activities of the business successfully encouraged new and existing clients to open new accounts in Vantage between 30 June 2004 and 31 December 2006. In the six month period ended 31 December 2006, subscriptions into new client accounts were responsible for £305 million of growth in the Vantage PEP, ISA and Fund and Share Account compared to £203 million in the six months ended 31 December 2005, an increase of 50 per cent. Subscriptions into new client accounts totalled £686 million in the financial year ended 30 June 2006 compared to £380 million in the financial year ended 30 June 2005, an increase of 81 per cent., and £515 million in the financial year ended 30 June 2004. The aggregate of these subscriptions between 30 June 2003 and 31 December 2006 was £1.9 billion.
- *SIPP:* The Vantage SIPP experienced rapid growth between 30 June 2003 and 31 December 2006, primarily driven by new client accounts. During this period, the product received new business inflows of £688 million.
- *Stock market movements:* In addition to the £4.2 billion of new business received between 30 June 2003 and 31 December 2006, stock market performance led to further growth in the value of Vantage assets under administration in Vantage of approximately £1.8 billion.
- *The withdrawal of funds.* The growth in assets under administration as a result of the factors above has been offset by withdrawals of around £1.1 billion between 30 June 2003 and 31 December 2006. This figure includes the transfer of assets from Vantage to the Group's discretionary Portfolio Management Service and pension benefit payments.

As at 31 March 2007, assets under administration in Vantage totalled £7.4 billion.

In the period from 30 June 2004 to 31 December 2006, average assets administered per client in Vantage have also grown significantly, from approximately £15,800 to approximately £33,800, an increase of 114 per cent.

Vantage AUA

	<i>30 June</i> <i>2004</i>	<i>30 June</i> <i>2005</i>	<i>30 June</i> <i>2006</i>	<i>31 December</i> <i>2005</i>	<i>31 December</i> <i>2006</i>
AUA (£'m)	2,582	3,604	5,355	4,391	6,587
Number of Clients ¹ ('000)	163	168	188	171	195
Average Client Value (£'000)	15.8	21.5	28.5	25.7	33.8

2.2 *Vantage new business volumes*

The detailed movement in Vantage asset values for the financial years ended 30 June 2004, 30 June 2005 and 30 June 2006 and the six month periods ended 31 December 2005 and 31 December 2006 are provided in the table below.

	<i>Year ended</i> <i>30 June</i> <i>2004</i> <i>£'m</i>	<i>Year ended</i> <i>30 June</i> <i>2005</i> <i>£'m</i>	<i>Year ended</i> <i>30 June</i> <i>2006</i> <i>£'m</i>	<i>6 months</i> <i>ended</i> <i>31 December</i> <i>2005</i> <i>£'m</i>	<i>6 months</i> <i>ended</i> <i>31 December</i> <i>2006</i> <i>£'m</i>
Opening position	1,626	2,582	3,604	3,604	5,355
New business	866	854	1,553	467	875
Client withdrawals	(185)	(271)	(408)	(153)	(255)
Market movement	249	411	567	456	592
Other	26	28	39	17	20
Closing position	2,582	3,604	5,355	4,391	6,587

New business, consisting of new clients and new money from existing clients, has represented the principal driver of growth in assets under administration.

In the six month period ended 31 December 2006, the Group recorded gross new business of £875 million, an increase of 87 per cent. on the prior year period. Net new business, comprising gross new business less client withdrawals, represented 50 per cent. of the increase in assets under administration over the period. The value of client withdrawals includes the transfer of assets into Hargreaves Lansdown's discretionary portfolio management service, which in the six months ended 31 December 2006 accounted for approximately 10 per cent. of overall withdrawals.

However, the Directors believe that the figures for the six month periods ended 31 December are typically unrepresentative of the financial year as a whole in view of the higher volume of new business generally experienced in the six month period ended 30 June. This is due to private investors being more active prior to the end of the tax year in April. By way of example, in the financial year ended 30 June 2006, 70 per cent. of new business was received in the second half of the financial year.

In the financial year ended 30 June 2006, gross new business totalled £1,553 million, an increase of 82 per cent. on the prior year. Net new business totalled £1,145 million and represented 65 per cent. of the increase in assets under administration over the period.

In the financial year ended 30 June 2005, gross new business totalled £854 million, a decrease of 1 per cent. on the prior year. Net new business in the financial year ended 30 June 2005 totalled £583 million and represented 57 per cent. of the increase in assets under administration over the period. New business performance in the financial year ended 30 June 2005 was against a challenging market background for retail investment savings, in which industry sales of stocks and shares ISAs fell by 8 per cent. in the tax year ended 5 April 2005² and redemptions of PEPs were greater than net ISA sales³. In addition, the Group's new business in the prior financial year ended 30 June 2004 was positively affected by a successful "portfolio healthcheck" campaign which encouraged clients to transfer a greater proportion of their investments to Vantage.

1 Number of clients comprises clients holding an account containing £100 or more at the relevant date.

2 Source: HMRC statistics

3 Source: Investment Management Association Asset Management Survey 2006

'Market movement' includes the growth in asset values resulting from capital appreciation and interest earned on cash balances.

'Other' represents increases to assets under administration resulting from income generated, such as dividends on investments, offset by income paid out to clients and any management fees that have been charged.

An analysis of new business volumes and their impact on overall changes in assets under administration in each Vantage account is contained in the following sections.

Vantage PEP

The Vantage PEP Account is a nominee account for PEP eligible investments. Included in the categorisation of Vantage PEP are a number of legacy PEP products including the Group's Single Company PEP and General PEP. These operate under different terms and conditions to the Vantage PEP Account. As at 31 December 2006, the value of assets under administration in the Vantage PEP was £2,004 million of which the value of legacy PEP products represented £156 million, or 8 per cent. of the total. This proportion is expected to decline in the future.

The detailed movement in asset values for the financial years ended 30 June 2004, 30 June 2005 and 30 June 2006 and the six month periods ended 31 December 2005 and 31 December 2006 are provided in the table below.

	<i>Year ended</i>	<i>Year ended</i>	<i>Year ended</i>	<i>6 months</i>	<i>6 months</i>
	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>	<i>ended</i>	<i>ended</i>
<i>Vantage PEP</i>	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>31 December</i>	<i>31 December</i>
<i>Movement of Assets</i>				<i>2005</i>	<i>2006</i>
<i>Under Administration</i>	<i>£'m</i>	<i>£'m</i>	<i>£'m</i>	<i>£'m</i>	<i>£'m</i>
Opening position	788	1,069	1,354	1,354	1,739
New business	239	197	272	97	132
Client withdrawals	(87)	(103)	(120)	(52)	(66)
Market movement	113	178	218	165	191
Other	16	13	15	7	8
Closing position	1,069	1,354	1,739	1,571	2,004

The PEP is the most mature tax efficient scheme offered within Vantage. Although no new subscriptions are permitted into PEPs, Hargreaves Lansdown continues to attract new business in the transfer market.

In the six month period ended 31 December 2006, gross new business totalled £132 million, an increase of 36 per cent. over the six months ended 31 December 2005. In the financial year ended 30 June 2006, gross new business totalled £272 million, an increase of 38 per cent. over the prior year period. In the financial year ended 30 June 2005, gross new business totalled £197 million, a decrease of 18 per cent. over the prior year, partly as a result of more challenging market conditions and the success of the Group's "portfolio healthcheck" campaign in the prior year.

Of the gross new business received in the six months ended 31 December 2006, 53 per cent. related to transfers from other providers into new PEP accounts with the remainder being transfers into existing accounts. In the six months ended 31 December 2005, 55 per cent. of gross new business related to new accounts being opened with the remainder going into existing accounts. For the financial year ended 30 June 2006, 59 per cent. related to new accounts, compared to 60 per cent. for the prior year and 66 per cent. for the financial year ended 30 June 2004.

The closure of accounts, the partial withdrawal of funds and the transfer of assets into Hargreaves Lansdown's Discretionary service or to other providers are aggregated to determine the client withdrawals from PEP accounts. In the six month periods ended 31 December 2006 and 31 December 2005, withdrawals equated to 4 per cent. of the asset value at the start of the period. In the financial year ended 30 June 2006, withdrawals equated to 9 per cent. of the opening value, compared to 10 per cent. for the prior year and 11 per cent. for the financial year ended 30 June 2004.

Overall the assets under administration in PEPs have grown by 87 per cent. during the period from 30 June 2004 to 31 December 2006.

The table below shows the growth in the number of PEP accounts and their average value from 30 June 2004 to 31 December 2006. The number of Vantage PEP Accounts has increased in each of these periods but there has been a steady decline in the number of legacy PEP accounts from 26,095 as at 30 June 2004 to 17,946 as at 31 December 2006. There was a significant consolidation of PEP products across the industry from April 2001 when a change in rules permitted the merging of single company and general PEPs. This consolidation of legacy PEP accounts explains the decline in the total number of PEP accounts between 30 June 2004 and 30 June 2005.

	<i>30 June</i> <i>2004</i>	<i>30 June</i> <i>2005</i>	<i>30 June</i> <i>2006</i>	<i>31 December</i> <i>2005</i>	<i>31 December</i> <i>2006</i>
PEP Account Growth					
PEP Accounts	83,745	81,849	83,605	82,258	83,960
PEP Average Value (£'000)	12.8	16.5	20.8	19.1	23.9

Vantage ISA

The Vantage ISA Account is a nominee account for ISA eligible investments. Clients are able to contribute to this tax efficient vehicle each year, subject to current subscription limits. As a result, new business has greater significance in the growth of assets under administration than experienced for the Vantage PEP Account.

The detailed movement in asset values for the financial years ended 30 June 2004, 30 June 2005 and 30 June 2006 and the six month periods ended 31 December 2005 and 31 December 2006 are provided in the table below.

	<i>Year ended</i> <i>30 June</i> <i>2004</i>	<i>Year ended</i> <i>30 June</i> <i>2005</i>	<i>Year ended</i> <i>30 June</i> <i>2006</i>	<i>6 months</i> <i>ended</i> <i>31 December</i> <i>2005</i>	<i>6 months</i> <i>ended</i> <i>31 December</i> <i>2006</i>
Vantage ISA					
Movement of Assets					
Under Administration	<i>£'m</i>	<i>£'m</i>	<i>£'m</i>	<i>£'m</i>	<i>£'m</i>
Opening position	645	977	1,355	1,355	1,945
New business	271	296	481	117	173
Client withdrawals	(45)	(71)	(105)	(43)	(64)
Market movement	99	145	202	168	210
Other	7	8	12	6	6
Closing position	977	1,355	1,945	1,603	2,270

In the six months ended 31 December 2006, gross new business totalled £173 million, an increase of 48 per cent. over the six months ended 31 December 2005. However, the Directors believe that the figures for the six month periods ended 31 December are typically unrepresentative of the financial year as a whole as regards ISA new business, as the Group experiences increased activity in the second half of the financial year, in the period leading up to the end of the tax year in April.

In the financial year ended 30 June 2006, gross new business totalled £481 million, an increase of 63 per cent. on the prior year. In the financial year ended 30 June 2005, gross new business totalled £296 million, an increase of 9 per cent. on the prior year, despite the more challenging market conditions.

The Vantage ISA Account benefits from a significant number of clients subscribing each year to maximise their tax benefits. This is reflected in the high proportion of new business derived from existing clients. In the six months ended 31 December 2006, 65 per cent. of new business represented additional subscriptions into existing ISA accounts compared to 66 per cent. for the six months ended 31 December 2005. In the financial year ended 30 June 2006, 60 per cent. of new business was received from existing ISA account holders, compared to 64 per cent. for the financial year ended 30 June 2005 and 56 per cent. for the financial year ended 30 June 2004.

In the six month periods ended 31 December 2006 and 31 December 2005, withdrawals equated to 3 per cent. of the opening asset value. In the financial year ended 30 June 2006, withdrawals equated to 8 per cent. of the opening asset value, compared to 7 per cent. for the financial years ending 30 June 2005 and 30 June 2004.

Overall the assets under administration in the ISA have grown by 132 per cent. during the period from 30 June 2004 to 31 December 2006.

Growth in the number of ISA accounts and their average value is illustrated in the table below. In the period from 30 June 2004 to 31 December 2006, the average value of a Maxi ISA increased from approximately £10,400 to approximately £19,200 (85 per cent.) and the average value of a Mini ISA increased from approximately £3,600 to approximately £7,000 (94 per cent.).

<i>ISA Account Growth</i>	<i>30 June 2004</i>	<i>30 June 2005</i>	<i>30 June 2006</i>	<i>31 December 2005</i>	<i>31 December 2006</i>
Maxi Accounts	83,027	87,261	97,724	88,544	100,280
Maxi Average Value (£'000)	10.4	13.6	17.0	15.7	19.2
Mini Accounts	30,699	35,558	45,563	37,255	48,725
Mini Average Value (£'000)	3.6	4.7	6.1	5.6	7.0

Vantage Fund and Share Account

The Vantage Fund and Share Account is a general nominee account for holding collective investment funds such as unit trusts and OEICs, equities or other investments and offers no specific tax benefits. As a result of the lack of tax advantages and the absence of any subscription limits, compulsory management fees or inactivity charges, this account experiences higher levels of inflows and outflows and greater short-term use than other Vantage accounts.

The detailed movement in asset values for the financial years ended 30 June 2004, 30 June 2005 and 30 June 2006 and the six month periods ended 31 December 2005 and 31 December 2006 are provided in the table below.

<i>Vantage Fund and Share Account Movement of Assets Under Administration</i>	<i>Year ended 30 June 2004</i>	<i>Year ended 30 June 2005</i>	<i>Year ended 30 June 2006</i>	<i>6 months ended 31 December 2005</i>	<i>6 months ended 31 December 2006</i>
	<i>£'m</i>	<i>£'m</i>	<i>£'m</i>	<i>£'m</i>	<i>£'m</i>
Opening position	164	455	709	709	1,193
New business	306	262	525	195	307
Client withdrawals	(52)	(91)	(172)	(54)	(105)
Market movement	33	77	122	97	130
Other	4	6	9	3	5
Closing position	455	709	1,193	950	1,530

In the six month period ended 31 December 2006, gross new business totalled £307 million, an increase of 57 per cent. over the six month period ended 31 December 2005. In the financial year ended 30 June 2006, gross new business totalled £525 million, an increase of 100 per cent. over the prior year. In the financial year ended 30 June 2005, gross new business totalled £262 million, a decline of 14 per cent. over the prior year, partly as a result of more challenging market conditions and the success of the Group's "portfolio healthcheck" campaign in the prior year.

In the six month periods ended 31 December 2006 and 31 December 2005, 56 per cent. of the new business was derived from new or reactivated accounts (the latter comprising existing accounts in which the value of assets was below £100 at the beginning of the period but increased to £100 or above during the period) with the remainder being the addition of funds to existing accounts. In the financial year ended 30 June 2006, 63 per cent. of new business was derived from new or reopened accounts, compared to 59 per cent. for the financial year ended 30 June 2005 and 78 per cent. for the financial year ended 30 June 2004.

The lack of any tax savings associated with the Fund and Share Account makes it more susceptible to short-term use and withdrawal of funds. The withdrawal figure includes the transfer of funds into the Hargreaves Lansdown Discretionary portfolio management service and the withdrawal of funds in favour of other Vantage accounts such as the ISA. In the six month period ended 31 December 2006, withdrawals equated to 9 per cent. of the opening asset value, compared to 8 per cent. for the six month period ended 31 December 2005. In the financial year ended 30 June 2006, withdrawals accounted for 24 per cent. of the opening asset value, compared to 20 per cent. for the financial year ended 30 June 2005 and 32 per cent. for the financial year ended 30 June 2004.

Notwithstanding the higher level of withdrawals relative to the Vantage PEP, ISA and SIPP Accounts, the Vantage Fund and Share Account has experienced strong growth in net new business. Net new business represented 60 per cent. of the growth in assets under administration in the six months ended 31 December 2006, 73 per cent. in the financial year ended 30 June 2006, 67 per cent. in the financial year ended 30 June 2005 and 87 per cent. in the financial year ended 30 June 2004.

Overall the assets under administration in the Fund and Share Account have grown by 236 per cent. during the period from 30 June 2004 to 31 December 2006.

The growth in average account values is illustrated in the table below. In the period from 30 June 2004 to 31 December 2006, the average value of a Vantage Fund and Share Account increased by 121 per cent. from £10,800 to £23,900.

<i>Fund and Share Account Growth</i>	<i>30 June 2004</i>	<i>30 June 2005</i>	<i>30 June 2006</i>	<i>31 December 2005</i>	<i>31 December 2006</i>
Number of Accounts	42,162	46,817	57,379	50,748	64,000
Average Value (£'000)	10.8	15.1	20.8	18.7	23.9

Vantage SIPP

The Vantage SIPP was launched in 2002 and is one of the fastest growing product areas in the Group. Assets under administration have grown by 867 per cent. over the period from 30 June 2004 to 31 December 2006. This reflects strong demand from clients to provide for their retirement and the attractiveness of the Vantage SIPP as a low cost option with a wide range of investments on offer.

The detailed movement in asset values for the financial years ended 30 June 2004, 30 June 2005 and 30 June 2006 and the six month periods ending 31 December 2006 and 31 December 2005 are provided in the table below.

<i>Vantage SIPP Movement of Assets Under Administration</i>	<i>Year ended 30 June 2004</i>	<i>Year ended 30 June 2005</i>	<i>Year ended 30 June 2006</i>	<i>6 months ended 31 December 2005</i>	<i>6 months ended 31 December 2006</i>
	<i>£'m</i>	<i>£'m</i>	<i>£'m</i>	<i>£'m</i>	<i>£'m</i>
Opening position	29	81	187	187	479
New business	50	99	276	58	262
Client withdrawals	(1)	(4)	(3)	(2)	(3)
Market movement	3	12	25	26	61
Pension benefit payments ¹	—	(2)	(8)	(2)	(17)
Other	—	1	2	1	1
Closing position	81	187	479	268	783

In the six months ended 31 December 2006, gross new business totalled £262 million, an increase of 352 per cent. over the six months ended 31 December 2005. The magnitude of this increase is in part explained by some investors delaying transactions in the six month period ended 31 December 2005 in anticipation of A-Day changes from 6 April 2006. In the financial year ended 30 June 2006, gross new business totalled £276 million, an increase of 179 per cent. over the prior year. In the financial year ended 30 June 2005, gross new business totalled £99 million, an increase of 98 per cent. over the prior year.

The Group has experienced very low withdrawals of assets in the Vantage SIPP, reflecting the longevity of the assets once held in the SIPP and the relative infancy of the product.

Net new business accounted for 85 per cent. of the increase in assets under administration in the six months ended 31 December 2006 compared to 69 per cent. in the six months ended 31 December 2005. In the financial year ended 30 June 2006, 93 per cent. of the increase in assets under administration can be attributed to net new business, compared to 90 per cent. in the financial year ended 30 June 2005 and 94 per cent. in the financial year ended 30 June 2004.

¹ 'Pension benefit payments' are included in 'client withdrawals' on the consolidated Vantage asset movement schedule at the start of this paragraph 2.2.

Growth in the number of active SIPP accounts between June 2004 and December 2006 is illustrated in the table below, together with their average value. It shows that the number of accounts has increased by 711 per cent. in the two and a half year period whilst the average value of an account has increased by 18 per cent.

SIPP	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>	<i>31 December</i>	<i>31 December</i>
Account Growth	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>	<i>2006</i>
Number of Accounts	2,587	6,599	16,242	8,192	20,972
Average Value (£'000)	31.5	28.3	29.5	32.7	37.3

Investment market conditions

The value of assets under administration in Vantage has benefited from growth in stock markets between 30 June 2004 and 31 December 2006. The FTSE All Share index increased by 45 per cent. over this period.

FTSE	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>	<i>30 December</i>	<i>29 December</i>
All-Share	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>	<i>2006</i>
Close	1,971.26	2,228.67	2,560.17	2,967.58	2,847.02	3,221.42

The increase in assets under administration in Vantage is closely correlated with the performance of the FTSE All Share index, as demonstrated by the table below which shows the market increase in assets under administration in Vantage as a percentage of both the opening and average asset values for each period, compared against the movement in the FTSE All Share index.

	<i>Year ended</i>	<i>Year ended</i>	<i>Year ended</i>	<i>6 months</i>	<i>6 months</i>
Vantage – Analysis of Market Movement	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>	<i>ended</i>	<i>ended</i>
	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>31 December</i>	<i>31 December</i>
				<i>2005</i>	<i>2006</i>
Market movement as a percentage of opening AUA	15%	16%	16%	13%	11%
Market movement as a percentage of average AUA	12%	13%	13%	11%	10%
FTSE All Share index change	13%	15%	16%	11%	9%

The Directors believe that stock market performance has an impact not only on the value of existing assets under administration but also on whether new clients are attracted and whether current clients subscribe additional funds or withdraw them. The Directors believe that new business subscriptions for tax-efficient portfolios, such as ISAs and SIPPs, are less likely to decline in a market downturn. In the period between 30 June 2004 and 31 December 2006, 66 per cent. of new Vantage business related to tax-efficient portfolios.

2.3 *Volume of Assets under Management (AUM)*

Portfolio Management Service and Financial Practitioners

The Group's portfolio management service (PMS) was launched in its current format in December 2002. It is a discretionary management service for private investors who wish to allocate their equity and bond investment capital in a single investment vehicle. When the service was first launched, the minimum investment amount was £50,000. This was increased to £100,000 in December 2005.

In the period between 30 June 2004 and 31 December 2006, assets under management in PMS increased by £491 million, from £139 million to £630 million, an increase of 353 per cent. PMS is exclusively distributed by the Group's Financial Practitioners business and this increase can largely be attributed to the expansion of this division. The average number of Financial Practitioner advisers increased from 20 in the year ended 30 June 2004 to 46 in the year ended 30 June 2006. As at 31 March 2007, there were 69 advisers employed by the Group. In the financial year ended 30 June 2006, approximately 70 per cent. of revenues generated by the Group's Financial Practitioners business related to PMS.

A significant proportion of assets within PMS are invested in the Hargreaves Lansdown multi-manager funds. The table below shows the value and percentage of PMS assets held in these funds, together with the number of PMS accounts and their average value.

PMS	<i>30 June 2004</i>	<i>30 June 2005</i>	<i>30 June 2006</i>	<i>31 December 2005</i>	<i>31 December 2006</i>
Total Assets Under Management (£'m)	139	275	493	385	630
Assets invested in HL Funds (£'m)	83	166	308	240	410
% of PMS assets invested in HL Funds	60%	60%	62%	62%	65%
Number of Clients	1,808	3,211	4,839	3,956	5,456
Average Client Value (£'000)	76.9	85.6	101.9	97.3	115.5

In the period between 30 June 2004 and 31 December 2006, the number of PMS clients increased by 202 per cent. The average value of a PMS client has increased over the same period by 50 per cent. from approximately £76,900 to approximately £115,500. The rate of this growth has accelerated since December 2005 when the minimum investment threshold for PMS was increased from £50,000 to £100,000.

As the Group earns management fees and renewal commission based upon the value of assets under management, this growth in the value of assets under management has resulted in an increase in management fees generated by PMS.

Multi-Manager Funds

Assets under management in the Hargreaves Lansdown multi-manager funds have increased by 395 per cent. from £153 million as at 30 June 2004 to £758 million as at 31 December 2006. The percentage of these assets which are managed within PMS has remained fairly static at 55 per cent. throughout this period whilst the percentage administered within Vantage has increased from 40 per cent. as at 30 June 2004 to 43 per cent. as at 31 December 2006. As a result, funds held directly by clients have fallen from 6 per cent. as at 30 June 2004 to 3 per cent. as at 31 December 2006.

A significant proportion of the growth in asset values within the Group's multi-manager funds can be attributed to an increase in subscriptions into PMS, facilitated by a growing network of Financial Practitioners. The other main source of the growth has been a greater investment by Vantage clients in the Hargreaves Lansdown multi-manager funds. This reflects the greater marketing of these funds, the strength of their relative investment performance and clients' increasing interest in taking advantage of the wide range of products offered by the Group.

The table below shows the total value of multi-manager funds at each period end as well as a breakdown of the value held within PMS, Vantage and directly by the investor (all valued on the basis of bid price).

	<i>30 June 2004</i>	<i>30 June 2005</i>	<i>30 June 2006</i>	<i>31 December 2005</i>	<i>31 December 2006</i>
	<i>£'m</i>	<i>£'m</i>	<i>£'m</i>	<i>£'m</i>	<i>£'m</i>
Held in PMS	83	166	308	241	410
Held in Vantage	62	127	231	184	325
Held Directly	8	8	18	10	23
Total Value	153	301	557	435	758

2.4 *Individual fund performance*

The ability of Hargreaves Lansdown multi-manager funds to continue to increase assets under management, and therefore revenues, by attracting new subscriptions, minimising redemptions and growth through the market value of investments, is linked strongly to the investment performance of the individual funds. The multi-manager funds have all experienced positive performance over the long term, as described in further detail below. The past is not a guide to future performance. All performance figures and comments shown below are shown to 31 March 2007.

HL Multi Manager Special Situations Trust

Since its launch in April 2001, the HL Multi Manager Special Situations Trust has achieved consistent out-performance of its two stated benchmarks (FTSE All Share and FTSE World ex UK indices). These two indices provide reasonable benchmarks for the fund given that half of the fund has generally been invested in the UK market and half of it overseas. The Directors believe that it is also appropriate to compare the investment performance of the fund with the Investment Management Association (IMA) global growth sector which represents an alternative benchmark for funds seeking to achieve outperformance of world indices.

	<i>1 year</i> 31/03/06 – 31/03/07		<i>3 year</i> 31/03/04 – 31/03/07		<i>5 year</i> 29/03/02 – 31/03/07		<i>Since launch</i> 03/04/01 – 31/03/07	
	<i>Percentage Growth</i>	<i>Percentile Ranking</i>	<i>Percentage Growth</i>	<i>Percentile Ranking</i>	<i>Percentage Growth</i>	<i>Percentile Ranking</i>	<i>Percentage Growth</i>	<i>Percentile Ranking</i>
HL Multi-Manager Special Situations Trust	8.3%	13th	65.0%	15th	73.9%	9th	75.3%	6th
IMA Global Growth	2.7%	—	46.4%	—	29.7%	—	22.7%	—

Source: Lipper Hindsight, total return, bid to bid, net income reinvested

	<i>Percentage Growth</i>				
	<i>March 2002 – March 2003</i>	<i>March 2003 – March 2004</i>	<i>March 2004 – March 2005</i>	<i>March 2005 – March 2006</i>	<i>March 2006 – March 2007</i>
HL Multi-Manager Special Situations Trust	(23.8%)	38.2%	14.4%	33.1%	8.3%
IMA Global Growth	(29.8%)	26.3%	8.6%	31.3%	2.7%

Source: Lipper Hindsight, to 31 March, total return, bid to bid, net income reinvested

The fund has a record of strong investment performance relative to its benchmarks. It is ranked in the top decile of the performance table since launch and has never been outside the top quartile over any rolling three month period since launch. The fund is the top performing fund of open ended funds in its sector since its launch date.

The movement of assets in the financial years ended 30 June 2004, 30 June 2005 and 30 June 2006 and the six month periods ended 31 December 2005 and 31 December 2006 is illustrated in the table below.

	<i>Year ended</i>	<i>Year ended</i>	<i>Year ended</i>	<i>6 months ended</i>	<i>6 months ended</i>
	<i>30 June 2004</i>	<i>30 June 2005</i>	<i>30 June 2006</i>	<i>31 December 2005</i>	<i>31 December 2006</i>
HL Multi-Manager Special Situations Trust					
	<i>£'m</i>	<i>£'m</i>	<i>£'m</i>	<i>£'m</i>	<i>£'m</i>
Brought forward value	7.0	30.0	59.5	59.5	146.1
Subscriptions	21.0	24.0	74.9	25.2	29.5
Redemptions	—	(0.5)	—	—	—
Market movement	2.0	6.0	11.7	13.1	21.0
Carried forward value	30.0	59.5	146.1	97.8	196.6

HL Multi Manager Income and Growth Portfolio Trust

The HL Multi Manager Income and Growth Portfolio Trust was launched in October 2002. The stated benchmark for the fund is the FTSE All Share index. Since launch, the fund has outperformed its benchmark index. However, given the high yield bias within the portfolio, the Directors believe that it is also appropriate to compare the fund's performance against that of the IMA UK equity income sector.

	<i>1 year</i>		<i>3 year</i>		<i>5 year</i>		<i>Since launch</i>	
	<i>31/03/06 – 31/03/07</i>		<i>31/03/04 – 31/03/07</i>		<i>29/03/02 – 31/03/07</i>		<i>18/10/02 – 31/03/07</i>	
	<i>Percentage Growth</i>	<i>Percentile Ranking</i>	<i>Percentage Growth</i>	<i>Percentile Ranking</i>	<i>Percentage Growth</i>	<i>Percentile Ranking</i>	<i>Percentage Growth</i>	<i>Percentile Ranking</i>
HL Multi-Manager Income and Growth Portfolio Trust	12.6%	25th	70.1%	27th	N/A	N/A	110.4%	26th
IMA UK Equity Income	10.9%	—	64.2%	—	58.1%	—	97.5%	—

Source: Lipper Hindsight, total return, bid to bid, net income reinvested

	<i>Percentage Growth</i>				
	<i>March 2002 – March 2003</i>	<i>March 2003 – March 2004</i>	<i>March 2004 – March 2005</i>	<i>March 2005 – March 2006</i>	<i>March 2006 – March 2007</i>
HL Multi-Manager Income and Growth Portfolio Trust	N/A	34.0%	16.9%	29.2%	12.6%
IMA UK Equity Income	(26.5%)	31.0%	17.2%	26.4%	10.9%

Source: Lipper Hindsight, to 31 March, total return, bid to bid, net income reinvested

The fund has performed consistently well by comparison with its peer group and is the top performing fund of funds in the IMA UK Equity Income sector since its launch date.

The movement of assets in the financial years ended 30 June 2004, 30 June 2005 and 30 June 2006 and the six month periods ended 31 December 2005 and 31 December 2006 is illustrated in the table below.

<i>HL Multi-Manager Income and Growth Portfolio Trust</i>	<i>Year ended</i>	<i>Year ended</i>	<i>Year ended</i>	<i>6 months ended</i>	<i>6 months ended</i>
	<i>30 June 2004</i>	<i>30 June 2005</i>	<i>30 June 2006</i>	<i>31 December 2005</i>	<i>31 December 2006</i>
	<i>£'m</i>	<i>£'m</i>	<i>£'m</i>	<i>£'m</i>	<i>£'m</i>
Brought forward value	28.6	78.4	169.4	169.4	278.1
Subscriptions	44.2	74.5	82.7	42.0	55.8
Redemptions	(0.4)	(0.5)	(2.3)	—	(0.9)
Market movement	5.3	14.4	24.0	21.0	40.8
Other	0.7	2.6	4.3	2.3	3.5
Carried forward value	78.4	169.4	278.1	234.7	377.3

HL Multi Manager Balanced Managed Trust

The HL Multi Manager Balanced Managed Trust was launched in January 2001. The fund is quoted in the IMA Balanced Managed sector, which represents its principal benchmark.

	<i>1 year</i>		<i>3 year</i>		<i>5 year</i>		<i>Since launch</i>	
	<i>31/03/06 – 31/03/07</i>		<i>31/03/04 – 31/03/07</i>		<i>29/03/02 – 31/03/07</i>		<i>05/01/01 – 31/03/07</i>	
	<i>Percentage Growth</i>	<i>Percentile Ranking</i>	<i>Percentage Growth</i>	<i>Percentile Ranking</i>	<i>Percentage Growth</i>	<i>Percentile Ranking</i>	<i>Percentage Growth</i>	<i>Percentile Ranking</i>
HL Multi-Manager Balanced Managed Trust	7.2%	17th	49.8%	32nd	45.6%	39th	31.9%	35th
IMA Balanced Managed	5.1%	—	44.5%	—	39.2%	—	26.1%	—

Source: Lipper Hindsight, total return, bid to bid, net income reinvested

	<i>Percentage Growth</i>				
	<i>March 2002 – March 2003</i>	<i>March 2003 – March 2004</i>	<i>March 2004 – March 2005</i>	<i>March 2005 – March 2006</i>	<i>March 2006 – March 2007</i>
HL Multi-Manager Balanced Managed Trust	(20.4%)	22.2%	9.4%	27.7%	7.2%
IMA Balanced Managed	(21.9%)	23.2%	10.2%	24.8%	5.1%

Source: Lipper Hindsight, to 31 March, total return, bid to bid, net income reinvested

The movement of assets in the financial years ended 30 June 2004, 30 June 2005 and 30 June 2006 and the six month periods ended 31 December 2005 and 31 December 2006 is illustrated in the table below.

<i>HL Multi-Manager Balanced Managed Trust</i>	<i>Year ended 30 June 2004</i>	<i>Year ended 30 June 2005</i>	<i>Year ended 30 June 2006</i>	<i>6 months ended 31 December 2005</i>	<i>6 months ended 31 December 2006</i>
	<i>£'m</i>	<i>£'m</i>	<i>£'m</i>	<i>£'m</i>	<i>£'m</i>
Brought forward value	18.1	44.6	71.7	71.7	131.2
Subscriptions	25.5	20.4	47.5	19.0	28.3
Redemptions	(1.5)	—	(0.3)	(0.3)	—
Market movement	2.2	6.1	11.7	12.0	15.4
Other	0.3	0.6	0.6	0.3	0.9
Carried forward value	44.6	71.7	131.2	102.7	175.8

HL Multi Manager Cautious Managed Trust

The HL Multi Manager Cautious Managed Trust was launched in June 2006. As at 31 March 2007, the fund was invested approximately 60 per cent. in equities and 40 per cent. in fixed interest. The fund has two benchmarks, being the FTSE All Share Index and IBOXX Sterling Corporates Total Return Index, reflecting the asset allocation of the fund. The fund has recorded solid relative investment performance since its launch.

The movement of assets in the financial year ended 30 June 2006 and the six month period ended 31 December 2006 is illustrated in the table below.

	<i>Year ended 30 June 2006</i>	<i>6 months ended 31 December 2006</i>
	<i>£'m</i>	<i>£'m</i>
<i>HL Multi-Manager Cautious Managed Trust</i>		
Brought forward value	0.0	1.4
Subscriptions	1.5	6.7
Redemptions	—	—
Market movement	(0.1)	0.3
Other	—	0.1
Carried forward value	1.4	8.5

2.5 Growth in the number of large corporate pension clients

The Corporate Solutions division provides advice to companies on their group pension strategy. The division specialises in contract-based defined contribution schemes, providing group personal pensions, group stakeholder pensions and group SIPPs. The division also provides an annuity quotation service for retiring employees of corporate clients.

Corporate pensions

The business has achieved strong growth in the number of new corporate pension clients over the last three financial years. In the eighteen month period ended 31 December 2006, the business attracted new clients at a rate of approximately four per month. The number of new business consultants has increased from five in June 2005 to seven as at 31 March 2007. This increase only started to have an impact on new client numbers towards the end of 2006. These consultants are also responsible for the distribution of the Vantage group SIPP which was launched in April 2006.

The Directors believe that the group SIPP represents a significant opportunity for Hargreaves Lansdown and that it is likely to represent an increasing proportion of new business for Corporate Solutions over the medium term. The Group is also targeting a continuing improvement, in terms of both the average contribution and the average number of employees per corporate client, of new corporate clients of Hargreaves Lansdown.

The table below sets out the development in the number of corporate pensions schemes and scheme members during the period under review.

<i>Corporate Solutions</i>	<i>30 June 2004</i>	<i>30 June 2005</i>	<i>30 June 2006</i>	<i>31 December 2005</i>	<i>31 December 2006</i>
Number of corporate pension schemes	344	370	407	387	395
<i>Analysis of corporate pension schemes by number of scheme members</i>					
Schemes with less than 20 members	266	269	264	270	232
Schemes with 20 to 99 members	55	68	89	76	100
Schemes with 100 or more members	23	33	54	41	63
Total number of corporate pension schemes	344	370	407	387	395

The number of new scheme members has grown significantly between 30 June 2004 and 31 December 2006. This is the result of a deliberate strategy by Hargreaves Lansdown and reflects the following:

(a) *Increased emphasis on prospective scheme size*

Corporate Solutions adjusted its marketing effort to focus on employers who could potentially generate larger revenue opportunities for the Group and making efficient use of its new business consultants. This change in approach has resulted in Hargreaves Lansdown being appointed as broker in relation to a number of much larger schemes.

(b) *Improved effort on maximising take up on new and existing schemes*

Corporate Solutions has developed more structured and more creative strategies for encouraging “non-joiners” to pension schemes to take up the employer’s offer of a pension contribution. It has grown its worksite marketing team and now offers to meet all employees face to face at employers’ work sites. In addition, it offers a range of non-face to face options for joining and is proactive in ensuring all employees are made aware of the benefits of joining their employer’s scheme.

The average number of new members per new scheme has more than doubled over the period, which is regarded as an indicator of Hargreaves Lansdown winning better quality and more profitable business.

Going forward, Corporate Solutions is focusing its attention on securing good sized defined contribution schemes.

2.6 Staff costs

The largest administrative expense incurred by the business relates to staff costs. A high proportion of these costs is variable and relates to a discretionary bonus, the majority of which is paid to staff in June each year. The Advisory and Corporate Solutions divisions pay sales-related bonuses regularly throughout the year.

Staff costs shown below exclude exceptional administrative expenses. In the financial year ended 30 June 2006, 36 per cent of staff costs were variable and related to achievement of personal or business objectives, of which 13 per cent. related to the Financial Practitioners and Corporate Solutions divisions.

The majority of the increase in personnel costs since 30 June 2004 can be attributed to the recruitment of new staff to support the growth in Hargreaves Lansdown's business.

	<i>Year ended</i> <i>30 June</i>	<i>Year ended</i> <i>30 June</i>	<i>Year ended</i> <i>30 June</i>	<i>6 months</i> <i>ended</i> <i>31 December</i>	<i>6 months</i> <i>ended</i> <i>31 December</i>
Personnel Expenses	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2005</i>	<i>2006</i>
	<i>£'m</i>	<i>£'m</i>	<i>£'m</i>	<i>£'m</i>	<i>£'m</i>
Staff Costs	17.4	20.6	28.1	12.8	15.4
% of revenue	43%	43%	40%	41%	38%
% of administrative costs	53%	55%	57%	60%	59%
Directors' remuneration ¹	4.7	4.2	5.4	2.1	2.8
Staff remuneration	12.7	16.4	22.7	10.7	12.6
Average number of staff (excluding directors)	375	421	503	477	580
Average staff cost (£'000) ²	34	39	45	45	43

However, staff costs as a percentage of revenue has declined from 43 per cent. in the financial year ended 30 June 2004 to 40 per cent. in the financial year ended 30 June 2006, reflecting the scaleable business model of the Group. An increase in revenue does not necessitate an equivalent increase in staff. A high proportion of the growth in assets under administration and assets under management is derived from further subscriptions from existing clients and market growth which generally can be managed without an equivalent increase in resources. An increase in the volume of new business relating to entirely new clients would generally necessitate an increase in staff numbers but this is mitigated to some extent by an increase in the number of applications made online. The growth in average staff numbers in the Vantage (excluding SIPP) and Discretionary divisions in the financial year ended 30 June 2006 was 4 per cent. and 6 per cent. respectively. In the six months ended 31 December 2006, staff numbers in the Vantage (excluding SIPP) and Discretionary businesses did not change significantly, although Vantage (excluding SIPP) experienced a seasonal decrease in the number of staff employed prior to the increase expected in advance of the end of the tax year.

The Vantage SIPP division has grown more rapidly than other areas of Vantage, primarily as a result of the need to process new clients. In the financial year ended 30 June 2006, the number of staff working to support the growth in the Vantage SIPP increased by 49 per cent., reflecting the high volume of new clients won. The number of staff specific to the Vantage SIPP totalled 35 as at 31 December 2006.

The majority of staff growth across the Group in the financial year ended 30 June 2006 can be attributed to expansion of group functions to support the growing overall business. These areas experienced a growth in average staff numbers of 33 per cent. in the financial year ended 30 June

1 Includes directors of all Group companies during the relevant periods.

2 Average staff cost figures for six month periods ended 31 December 2005 and 2006 have been annualised across a 12 month period.

2006 with a further 19 per cent. in the six months ended 31 December 2006. A significant proportion of this related to growth in IT infrastructure and systems development to ensure that the Group continues to offer a leading service and facilities to clients.

Other divisions, such as Financial Practitioners and Corporate Solutions have increased their sales forces in order to increase their revenue and profit contribution to the Group. These divisions experienced staff growth of 34 per cent. and 19 per cent. respectively in the financial year ended 30 June 2006. In the six months to 31 December 2006, there was no further growth in Financial Practitioners whilst staff levels in Corporate Solutions increased by a further 8 per cent.

The other main factor contributing to higher personnel costs is an increase in the average cost per employee. This has grown from approximately £34,000 in the financial year ended 30 June 2004 to approximately £45,000 in the financial year ended 30 June 2006, an increase of 32 per cent. This can partly be explained by inflationary increases and higher bonus rewards in line with the achievement of business objectives. The remaining increase in average staff costs is attributed mainly to the Financial Practitioners, Corporate Solutions and Managed Funds divisions and group functions.

The expansion and reorganisation of the Financial Practitioners and Corporate Solutions sales forces and growth in income of these divisions has resulted in an increased average cost per employee of 40 per cent. and 37 per cent., respectively. The remuneration of the sales forces in these divisions is a combination of basic salary and performance-related bonus and the average cost per employee has therefore increased in line with growth in the level of revenue earned by each adviser. Within the Financial Practitioners division, the increase in average cost per employee is also a reflection of the increase in the number of advisers relative to the number of lower paid support staff.

The success of the Discretionary division since 2004 has led to the recruitment of a small number of additional fund management professionals to join the fund management team. The number of higher paid fund management staff relative to fund administration staff increased, which resulted in a 40 per cent. increase in average cost per employee in this division in the financial year ended 30 June 2006.

The increase in the average cost per employee is also partly attributable to a high level of recruitment in group functions such as marketing, finance, HR and IT. These staff tend to be more specialised and highly paid. The only significant recruitment of less specialised staff in the past few years has been in the Vantage SIPP division, where the average cost of an employee showed a marginal decline in the financial year ended 30 June 2006 from the previous year.

3 SOURCES OF REVENUE

The principal revenues earned by the Group are derived from the following activities: distribution of externally managed investment products (such as unit trusts, OEICs and pensions), investment administration (Vantage), investment management (including Hargreaves Lansdown's multi-manager funds and discretionary portfolio management), stockbroking and life assurance and pension consultancy.

The majority of revenue is recurring in nature and based upon the value of assets under administration or management. The Group receives a share of the annual management charge, known as renewal commission, from product providers on certain funds. On certain investments where the Group does not receive renewal commission, a management fee is charged by Hargreaves Lansdown. In addition, the Group earns interest on cash held in its nominee and settlement accounts. The Group also earns some transactional based revenue in the Stockbroking business and on the broking of third party financial products. It also receives a small amount of non-investment income and advisory fees. The Group's business activities are highly cash generative.

The divisional breakdown of revenues is provided in the table below:

	<i>Year ended</i> <i>30 June</i> <i>2004</i> <i>£'m</i>	<i>Year ended</i> <i>30 June</i> <i>2005</i> <i>£'m</i>	<i>Year ended</i> <i>30 June</i> <i>2006</i> <i>£'m</i>	<i>6 months</i> <i>ended</i> <i>31 December</i> <i>2005</i> <i>£'m</i>	<i>6 months</i> <i>ended</i> <i>31 December</i> <i>2006</i> <i>£'m</i>
Vantage	16.4	21.8	35.2	14.6	22.4
Third Party	12.4	13.1	17.1	8.1	8.6
Advisory	4.3	5.6	8.2	3.7	5.2
Discretionary	1.2	2.3	4.4	1.8	3.2
Stockbroking	7.0	6.6	7.5	3.4	2.9
Central Services	1.3	1.0	1.1	0.6	1.0
Total Revenue	42.5	50.4	73.5	32.2	43.3

The following sections provide an outline of each of the principal sources of revenue in each of the Group's divisions.

3.1 *Vantage*

The main revenue streams earned from the Vantage platform are set out below.

(a) *Renewal commission*

This represents a share of the annual management charge earned by the fund provider. It is typically paid monthly. The renewal commission is calculated as an agreed percentage of the value of funds held on the platform, typically 0.7 per cent. per annum. Often, a proportion of the renewal commission is rebated to the client as a loyalty bonus (this arrangement does not occur with Vantage SIPP assets). By way of example, in respect of December 2006, renewal was earned on qualifying funds of £4.8 billion (73 per cent. of Vantage assets under administration) at an average rate of 0.7 per cent. and rebated to clients at an average rate of 0.2 per cent. In the financial year ended 30 June 2006, renewal commission represented 63 per cent. of Vantage revenue.

(b) *Management fees*

These fees are charged to clients by Hargreaves Lansdown as a percentage of the value of certain investments which do not generate renewal commission. The rate varies according to the underlying accounts within Vantage. In the financial year ended 30 June 2006, management fees accounted for 9 per cent. of Vantage revenue.

(c) *Interest on client funds*

Hargreaves Lansdown retains a proportion of the interest earned on clients' cash deposits. The interest rate offered to clients is tiered, with larger balances receiving a better rate. The rate of retention by Hargreaves Lansdown therefore varies depending upon the mix of balances that make up the client cash on deposit. For example, in December 2006, the Group earned approximately 4.9 per cent. on client money in Vantage (excluding the SIPP) and retained just under 2 per cent. As at 31 December 2006, 7 per cent. of Vantage assets (approximately £460 million) were held as cash. In the financial year ended 30 June 2006, interest receivable accounted for 11 per cent. of Vantage revenue.

(d) *Stockbroking commission*

A transactional charge is made for trading equities within the Vantage service. The commission rate varies depending on how the order is placed, the type of account and any specific schemes or promotions that may apply (such as frequent trader discounts). In the financial year ended 30 June 2006, Stockbroking commission accounted for 10 per cent. of Vantage revenue.

(e) Initial commission

Vantage earns commission as a fixed percentage of the value of new client investment for only a small proportion of its business. In general, any initial commission which might ordinarily be payable by the fund provider to Hargreaves Lansdown is waived by Hargreaves Lansdown with the saving passed on to the client in full. In the financial year ended 30 June 2006, initial commission accounted for 3 per cent. of Vantage revenue.

(f) Non investment income

This includes a number of smaller revenue streams such as the provision of intermediary and fund supermarket services to providers, subscriptions, probate and transfer fees. In the financial year ended 30 June 2006, non investment income accounted for 4 per cent. of Vantage revenue.

Vantage revenues increased from £14.6 million in the six months ended 31 December 2005 to £22.4 million in the six months ended 31 December 2006. In the financial year ended 30 June 2006, the revenue earned on Vantage was £35.2 million, compared to £21.8 million for the financial year ended 30 June 2005 and £16.4 million for the financial year ended 30 June 2004. The increases are attributable to an increase in the value of assets under administration as discussed in section 2.

The growth in revenues generated by Vantage reflects growth in revenues in each of the underlying accounts offered within Vantage.

The proportion of Group revenue derived from Vantage increased from 45 per cent. in the six months ended 31 December 2005 to 52 per cent. for the six months ended 31 December 2006. In the financial year ended 30 June 2006, Vantage revenue accounted for 48 per cent. of the Group total, compared to 43 per cent. for the financial year ended 30 June 2005 and 39 per cent. for financial the year ended 30 June 2004.

3.2 Third Party

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 and annuities, personal pensions, third party investment products, venture capital trusts, home insurance and life assurance.

The main revenue streams earned in the Third Party business are:

(a) Initial commission

With respect to collective investments funds, any initial commission earned by Hargreaves Lansdown from the product provider, as a fixed percentage of the value of new client funds, is generally rebated by Hargreaves Lansdown to the client in favour of renewal commission. However, the majority of income in relation to both (personal and corporate) pension and annuity sales is in the form of initial commission. In the financial year ended 30 June 2006, initial commission accounted for 56 per cent. of revenue from Third Party business.

(b) Renewal commission

With respect to collective investments funds, this is paid by the fund provider, usually monthly, based on a fixed percentage of the value of funds held. For personal pensions and corporate pensions, Hargreaves Lansdown receives a small amount of renewal commission based on the value of pension contributions received by the third party product provider. In the financial year ended 30 June 2006, renewal commission accounted for 43 per cent. of revenue from Third Party business.

(c) Other income

This consists of a small amount of advisory fees received through the Corporate Solutions business, interest and non investment income. In the financial year ended 30 June 2006, other income accounted for 1 per cent. of Third Party business revenue.

In the financial year ended 30 June 2006, the revenue contribution of Third Party Investments, Corporate Solutions and Third Party Personal Pensions to total Third Party business was £7.6 million, £7.5 million and £1.9 million respectively.

The revenue earned from the distribution of Third Party business increased from £8.1 million in the six months ended 31 December 2005 to £8.6 million in the six months ended 31 December 2006. In the financial year ended 30 June 2006, Third Party business generated revenues of £17.1 million compared to £13.1 million for the financial year ended 30 June 2005 and £12.4 million for the financial year ended 30 June 2004.

Despite the increase in revenues from Third Party business, its contribution to Group revenue declined from 25 per cent. in the six months ended 31 December 2005 to 20 per cent. in the six months ended 31 December 2006. In the financial year ended 30 June 2006, the percentage of Group revenue attributable to Third Party business was 23 per cent., compared to 26 per cent. for the financial year ended 30 June 2005 and 29 per cent. for the financial year ended 30 June 2004. The decline can be attributed to the Group's strategy of encouraging clients to transfer Third Party business to Vantage and reducing the prominence given to Third Party Investments in the Group's marketing. The growth in revenue derived from Third Party business can principally be attributed to the Corporate Solutions division.

The Corporate Solutions division targets large corporate clients rather than private investors and a significant proportion of its revenue is therefore attributable to a relatively small number of clients. In the financial year ended 30 June 2006, the largest 20 clients accounted for 75 per cent. of the initial commission earned for that year. The Group continues to earn initial commission as new employees join its corporate schemes. This creates an element of recurring annual revenue in line with staff turnover or company expansion. In the financial year ended 30 June 2006, approximately 21 per cent. of the initial commission earned by this division related to new employees joining existing pension schemes.

3.3 *Advisory*

Hargreaves Lansdown offers an advisory service through its Financial Practitioners business. Its revenue streams are as follows:

(a) *Initial charges*

The Financial Practitioners business earns initial charges on assets introduced into the Portfolio Management Service (PMS). In the financial year ended 30 June 2006, the average rate of initial charges was 2.3 per cent. of assets and these charges accounted for 48 per cent. of revenue earned by the Advisory division.

(b) *Management fees*

The Financial Practitioners business earns a management fee charged at a rate of 0.475 per cent. of the value of assets held within PMS. In the financial year ended 30 June 2006, this represented 23 per cent. of revenue earned by the Advisory division.

(c) *Initial commission*

The Financial Practitioners business also earns initial commission on the value of new investments, although where available, renewal commission is generally taken in preference to initial commission in order to generate longer-term, recurring revenue. In the financial year ended 30 June 2006, initial commission accounted for 19 per cent. of revenue earned by the Advisory division.

(d) *Renewal commission*

Financial Practitioners earns renewal commission on investments placed outside PMS. In the financial year ended 30 June 2006, renewal commission represented 7 per cent of revenue earned by the Advisory division.

(e) *Advisory fees*

The Financial Practitioners business also earns a small proportion of its revenue from carrying out fixed fee work. In the financial year ended 30 June 2006, this represented 3 per cent. of revenue earned by the Advisory division.

Advisory revenues increased from £3.7 million in the six months ended 31 December 2005 to £5.2 million in the six months ended 31 December 2006. In the financial year ended 30 June 2006, the revenue generated by the Advisory division was £8.2 million, compared to £5.6 million for the financial year ended 30 June 2005 and £4.3 million for the financial year ended 30 June 2004.

The growth in revenues from the Financial Practitioners division can largely be attributed to expansion in the number of advisers from an average of 20 in the financial year ended 30 June 2004 to 69 as at 31 March 2007. The proportion of Advisory revenue that relates to PMS has also increased. For example, in the financial year ended 30 June 2006, 70 per cent. of Advisory division revenue related to PMS compared to only 43 per cent. in the financial year ended 30 June 2004.

3.4 *Discretionary*

PMS and Hargreaves Lansdown's multi-manager funds produce the following revenue streams for the Discretionary division:

(a) *Renewal commissions*

This represents commissions earned on underlying investments held in PMS, including the value of PMS investments in the Group's multi-manager funds. In addition, Hargreaves Lansdown receives a small amount of renewal commission bi-annually based on the value of funds sold to Investec by Hargreaves Lansdown a number of years ago. In the financial year ended 30 June 2006, renewal commission represented 50 per cent. of revenue from the Managed Funds division.

(b) *Management fees*

Hargreaves Lansdown's multi-manager funds charge one per cent. annually on the value of funds under management. This is recorded in the Discretionary division net of the renewal commission paid to PMS (see paragraph above) and to Vantage with respect to multi-manager funds held in Vantage accounts. In the financial year ended 30 June 2006, management fees represented 46 per cent. of the Discretionary division's revenues.

(c) *Other income*

The remaining revenue relates to a small amount of fees and interest receivable.

Revenue from the Discretionary division increased from £1.8 million in the six months ended 31 December 2005 to £3.2 million in the six months ended 31 December 2006. In the financial year ended 30 June 2006, the revenue earned by the Discretionary division was £4.4 million, compared to £2.3 million for the financial year ended 30 June 2005 and £1.2 million for the financial year ended 30 June 2004. This is the result of the increase in funds under management in Hargreaves Lansdown's multi-manager funds. As at 31 December 2006, 54 per cent. of Hargreaves Lansdown's multi-manager funds were invested through PMS, 43 per cent. through Vantage and the remainder through direct investment. The Discretionary division has benefited from the growth of both PMS and Vantage.

3.5 *Stockbroking*

The main revenue streams earned by the Stockbroking business are set out below.

(a) *Stockbroking commission*

This is charged as a flat fee or percentage of the consideration on equity trades transacted by clients and varies depending on product, the method by which the trade is placed and any promotional schemes that may be applicable. It also includes commission earned in relation to specialist stockbroking services such as FX trading, CFDs and spread betting. In the financial year ended 30 June 2006, commission accounted for 85 per cent. of Stockbroking revenues. Although the Stockbroking division executes stockbroking transactions on behalf of Vantage clients, the revenue is recognised in Vantage rather than Stockbroking. Stockbroking revenue relates specifically to non-Vantage transactions.

(b) *Interest on client money*

Interest is earned on client money held in a settlement account awaiting placement. In the financial year ended 30 June 2006, interest accounted for 8 per cent. of Stockbroking revenues.

(c) Management fees

A management fee of £12.50 per quarter is charged on the Securities Management Account (SMA), a nominee share account which is no longer actively promoted. The Directors expect that a high proportion of SMA clients will migrate to the Vantage Fund and Share Account. In the financial year ended 30 June 2006, management fees accounted for 5 per cent. of Stockbroking revenues.

(d) Non investment income

The Stockbroking division earns some non investment income such as fees relating to transfers, applications, re-registrations or bank charges. In the financial year ended 30 June 2006, non investment income accounted for 2 per cent. of Stockbroking revenue.

In the six months ended 31 December 2006, revenue generated by the Stockbroking business was £2.9 million compared to £3.4 million for the six months ended 31 December 2005. In the financial year ended 30 June 2006, Stockbroking revenue was £7.5 million, compared to £6.6 million for the financial year ended 30 June 2005 and £7.0 million for the financial year ended 30 June 2004. In November 2006, the Group terminated a third party share dealing contract which had accounted for annual revenues of approximately £2 million. The contract was discontinued, *inter alia*, due to the poor existing profitability and a likely increase in the level of Group resources required to meet contractual commitments in the future. As a result, the cessation of the contract is expected by the Directors to have a minimal effect on profit in the Stockbroking division.

The revenue contribution from the Stockbroking division to the Group has become less significant over the last three years. In the six months ended 31 December 2006, Stockbroking revenue accounted for 7 per cent. of the Group total compared to 11 per cent. for the six months ended 31 December 2005. The proportion of Group revenue attributable to this division in the financial year ended 30 June 2006 was 10 per cent. compared to 13 per cent. in the financial year ended 30 June 2005 and 17 per cent. in the financial year ended 30 June 2004. This can be attributed largely to the fact that this division operates in a more cyclical market and to the managed decline of the traditional stockbroking nominee account in favour of the Vantage Fund and Share Account.

4 RESULTS OF OPERATIONS

4.1 Set forth below are consolidated results of operations for the financial years ended 30 June 2004, 2005 and 2006, and the six month period ended 31 December 2006, together with unaudited comparative data for the six month period ended 31 December 2005, in each case derived from the audited financial information set out in Part VI (“Financial Information on the Group”) of this document. The financial information in this document has been prepared and presented in accordance with IFRS as modified by certain accounting conventions commonly used for the preparation of historical financial information for inclusion in investment circulars as described in the Annexure to SIR 2000 (Investment Reporting Standard applicable to public reporting engagements on historical financial information) issued by the UK Auditing Practices Board and as described in note 1 to the historical financial information set out in Part VI (“Financial Information on the Group”).

	<i>Year ended</i> <i>30 June</i> <i>2004</i> <i>£'m</i>	<i>Year ended</i> <i>30 June</i> <i>2005</i> <i>£'m</i>	<i>Year ended</i> <i>30 June</i> <i>2006</i> <i>£'m</i>	<i>6 months</i> <i>ended</i> <i>31 December</i> <i>2005</i> <i>£'m</i>	<i>6 months</i> <i>ended</i> <i>31 December</i> <i>2006</i> <i>£'m</i>
Consolidated income statement					
Revenue	40.0	48.6	71.2	31.5	41.5
Other operating income	2.5	1.7	2.3	0.7	1.9
Total operating income	<u>42.5</u>	<u>50.4</u>	<u>73.5</u>	<u>32.2</u>	<u>43.3</u>
Administrative expenses	(32.6)	(37.3)	(49.2)	(21.3)	(26.2)
Exceptional administrative expenses	(3.9)	(0.5)	(19.6)	—	(0.3)
Total administrative expenses	<u>(36.5)</u>	<u>(37.7)</u>	<u>(68.8)</u>	<u>(21.3)</u>	<u>(26.5)</u>
Share of results of associate	(0.1)	—	—	—	—
Total operating costs	<u>(36.6)</u>	<u>(37.7)</u>	<u>(68.8)</u>	<u>(21.3)</u>	<u>(26.5)</u>
Operating profit	<u>6.0</u>	<u>12.6</u>	<u>4.6</u>	<u>10.9</u>	<u>16.8</u>
<i>Analysed as:</i>					
Operating profit before exceptional administrative expenses	9.9	13.1	24.3	10.9	17.2
Exceptional administrative expenses	(3.9)	(0.5)	(19.6)	—	(0.3)
Operating profit	<u>6.0</u>	<u>12.6</u>	<u>4.6</u>	<u>10.9</u>	<u>16.8</u>
Investment revenues	0.8	1.8	2.9	0.7	0.5
Other gains and losses	—	—	—	—	3.2
Profit before tax	<u>6.8</u>	<u>14.5</u>	<u>7.6</u>	<u>11.6</u>	<u>20.5</u>
Tax	(1.9)	(4.2)	(1.6)	(3.3)	(6.4)
Profit for the period	<u><u>4.9</u></u>	<u><u>10.3</u></u>	<u><u>6.0</u></u>	<u><u>8.3</u></u>	<u><u>14.1</u></u>

4.2 Total Operating Income

Total operating income increased by £11.1 million, or 34 per cent., to £43.3 million in the six month period ended 31 December 2006, compared to £32.2 million in the six month period ended 31 December 2005. This was principally due to an increase in revenue of £9.2 million across the Vantage and Discretionary divisions resulting from increased assets under administration and management. This was due to strong new business volumes in funds and market growth. In addition, during this period the following factors contributed to the Group’s revenue when compared to the six month period ended 31 December 2005:

- The Advisory division increased revenue by £1.4 million by expanding its adviser base.

- The Third Party business division increased its contributions to revenue by £0.5 million, resulting from greater activity in the Corporate Solutions division and sales of personal life and pensions products.
- Dealing commission in the Stockbroking division decreased by £0.5 million due to decreased dealing volumes, partially attributable to the cessation of a dealing service previously operated for a third party.

Total operating income increased by £23.1 million, or 46 per cent., to £73.5 million in the financial year ended 30 June 2006, compared to £50.4 million in the financial year ended 30 June 2005. This was principally due to an increase in revenue of £15.5 million across the Vantage and Discretionary divisions resulting from increased assets under administration and management. This was due to strong new business volumes and market growth. In addition, during this period the following factors contributed to the Group's revenue when compared to the financial year ended 30 June 2005:

- The Advisory division attracted more assets into the Group's Discretionary business increasing revenue by £2.6 million.
- The Third Party business division increased revenue by £4.0 million of which £3.6 million was attributable to Corporate Solutions.

Total operating income increased by £7.9 million, or 19 per cent., to £50.4 million in the financial year ended 30 June 2005, compared to £42.5 million in the financial year ended 30 June 2004. This was principally due to an increase in revenue of £6.5 million across the Vantage and Discretionary divisions resulting from increased assets under administration and management. This was due to strong new business volumes and market growth. In addition, during this period the following factors contributed to the Group's revenue when compared to the financial year ended 30 June 2004:

- The Advisory division increased its revenues by £1.3 million.
- The Third Party business increased revenue by £0.7 million.

The breakdown of revenue by type is provided in the table below:

	<i>Year ended</i>	<i>Year ended</i>	<i>Year ended</i>	<i>6 months</i>	<i>6 months</i>
	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>	<i>ended</i>	<i>ended</i>
	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>31 December</i>	<i>31 December</i>
	<i>£'m</i>	<i>£'m</i>	<i>£'m</i>	<i>2005</i>	<i>2006</i>
				<i>£'m</i>	<i>£'m</i>
Renewal commission	15.7	22.1	32.5	14.7	20.4
Initial commission	7.9	7.2	12.2	5.2	6.3
Management fees	4.4	5.5	7.5	3.5	4.7
Stockbroking commission	8.1	7.9	9.9	4.4	4.2
Interest receivable	2.5	3.5	5.1	1.9	3.7
Initial charges	1.4	2.4	3.9	1.8	2.1
Non investment income	2.3	1.5	1.9	0.6	1.2
Advisory fees	0.2	0.3	0.4	0.1	0.6
Other	—	—	0.1	—	0.1
Total Revenue	42.5	50.4	73.5	32.2	43.3

Renewal commission

Renewal commission increased by 39 per cent. to £20.4 million in the six month period ended 31 December 2006, compared to the six month period ended 31 December 2005. This increase resulted from an increase in funds under administration and management. The renewal commission earned on assets held in Vantage increased by £5.4 million and by £0.6 million on funds in the Group's Discretionary division. These increases were offset slightly by a decline in renewal commission on Third Party Investments.

Renewal commission increased by 47 per cent. to £32.5 million in the financial year ended 30 June 2006, compared to the prior financial year. This increase resulted from an increase in funds under administration and management. The renewal commission earned on assets held in

Vantage increased by £8.7 million and by £1.0 million in the Group's Discretionary division. The remaining £0.7 million increase was attributable to additional renewal commission received in relation to Third Party business sold directly or through the Advisory division.

Renewal commission increased by 41 per cent. to £22.1 million in the financial year ended 30 June 2005, compared to the prior financial year. This increase resulted from an increase in funds under administration and management. The renewal commission earned on assets held in Vantage increased by £4.7 million and by £0.6 million in the Group's Discretionary division. The remaining £1.1 million increase was attributable to additional renewal commission received in relation to the Third Party business, specifically Third Party Investments.

Initial commission

Initial commission increased by 21 per cent. to £6.3 million in the six month period ended 31 December 2006, compared to the six month period ended 31 December 2005. This increase resulted from greater activity in the sale of term assurance and annuities.

Initial commission increased by 69 per cent. to £12.2 million in the financial year ended 30 June 2006, compared to the prior financial year. This increase was largely attributable to success in the Corporate Solutions business, which increased its initial commission by £3.6 million. In addition, the Vantage and other Third Party business divisions earned an additional £1.4 million of initial commission.

Initial commission decreased by £0.7 million, or 9 per cent., to £7.2 million in the financial year ended 30 June 2005, compared to the prior financial year. This decrease resulted from a fall of £0.4 million in Third Party personal pensions and £0.3 million in both the Advisory and Corporate Solutions divisions.

Management fees

Management fees increased 34 per cent. to £4.7 million in the six month period ended 31 December 2006, compared to the six month period ended 31 December 2005. This increase resulted primarily from fees being charged on a higher value of funds under management giving rise to an increase of £0.5 million in PMS and £0.8 million in the Group's multi-manager funds.

Management fees increased by 36 per cent. to £7.5 million in the financial year ended 30 June 2006, compared to the prior financial year. This increase resulted from fees being charged on a higher value of funds under management giving rise to an increase of £0.9 million in PMS and £1.1 million in the Group's multi-manager funds.

Management fees increased by 25 per cent. to £5.5 million in the financial year ended 30 June 2005, compared to the prior financial year. This increase resulted from fees charged on a higher value funds under management giving rise to an increase of £0.6 million in PMS and £0.5 million in the Group's multi-manager funds.

Stockbroking commission

Stockbroking commission decreased by 5 per cent. to £4.2 million in the six month period ended 31 December 2006, compared to the six month period ended 31 December 2005. This decrease resulted from reduced transaction volumes in the Stockbroking business, partially offset by an increase in Vantage trading activity. In November 2006, a dealing service operated by the Group on behalf of a third party was discontinued.

Stockbroking commission increased by 25 per cent. to £9.9 million in the financial year ended 30 June 2006, compared to the prior financial period. This increase was primarily the result of greater trading activity in Vantage, which increased its commission by £1.4 million. The remaining £0.6 million was attributable to greater dealing volumes in the Stockbroking division.

Stockbroking commission decreased by 2 per cent. to £7.9 million in the financial year ended 30 June 2005, compared to the prior financial period. This decrease resulted from reduced dealing volumes in the Stockbroking division, partially offset by an increase in Vantage trading activity.

Interest receivable

Interest receivable increased by 95 per cent. to £3.7 million in the six month period ended 31 December 2006, compared to the six month period ended 31 December 2005. This increase was primarily attributable to higher client cash balances held within Vantage. In addition, the proportion of interest retained by the Group increased as of February 2006 following a change in the pricing structure.

Interest receivable increased 46 per cent. to £5.1 million in the financial year ended 30 June 2006, compared to £3.5 million in the financial year ended 30 June 2005 and £2.5 million in the financial year ended 30 June 2004. These increases reflect an equivalent increase in cash assets under administration in Vantage.

Initial charges

Initial charges increased by 17 per cent. to £2.1 million in the six month period ended 31 December 2006, compared to the six month period ended 31 December 2005. This increase resulted from greater new business volumes generated by the Group's Advisory division.

Initial charges increased by 63 per cent., to £3.9 million in the financial year ended 30 June 2006, compared to the prior financial year. This increase resulted from greater new business volumes generated by an expanded Advisory division.

Initial charges increased by 71 per cent., to £2.4 million in the financial year ended 30 June 2005, compared to the prior financial year. This increase resulted from greater new business volumes generated by an expanded Advisory division.

Non investment income

Non investment income increased to £1.2 million in the six month period ended 31 December 2006, compared to £0.6 million in the six month period ended 31 December 2005. This increase primarily represented a timing difference in the accounting of the Group's Share Incentive Plan.

Non investment income increased by 27 per cent. to £1.9 million in the financial year ended 30 June 2006, compared to the prior financial year. This represents various revenue streams arising, for example, from specific product promotions.

Non investment income decreased 35 per cent. to £1.5 million in the financial year ended 30 June 2005, compared to the prior financial year. This fall was largely attributable to a promotion in the prior financial year aimed at encouraging clients to transfer their Stockbroking accounts to Vantage for a nominal fee.

Advisory fees

Advisory fees increased to £0.6 million in the six month period ended 31 December 2006 from £0.1 million in the six month period ended 31 December 2005. This increase resulted predominantly from the expanded Advisory network and, to a lesser extent, the Corporate Solutions division.

Advisory fees increased to £0.4 million in the financial year ended 30 June 2006, compared to £0.3 million in the financial year ended 30 June 2005 and £0.2 million in the financial year ended 30 June 2004. This represents a small but growing revenue stream for the group and reflects the growth of the number of Financial Practitioners in the Advisory division.

4.3 *Administrative expenses*

Administrative expenses increased by £4.9 million, or 23 per cent., to £26.2 million in the six months ended 31 December 2006, compared to £21.3 million in the six months ended 31 December 2005.

Administrative expenses increased by £11.9 million, or 32 per cent., to £49.2 million in the financial year ended 30 June 2006, compared to £37.3 million in the financial year ended 30 June 2005.

Administrative expenses increased by £4.7 million or 14 per cent., to £37.3 million in the financial year ended 30 June 2005, compared to £32.6 million in the financial year ended 30 June 2004.

Exceptional administrative expenses were £0.3 million in the six months ended 31 December 2006 and did not arise in the six months ended 31 December 2005. These expenses comprised costs associated with the Offer.

Exceptional administrative expenses were £19.6 million in the financial year ended 30 June 2006, compared to £0.5 million in the financial year ended 30 June 2005 and £3.9 million in the financial year ended 30 June 2004. Exceptional administrative expenses in each of these periods comprised the amount by which Directors' remuneration and associated national insurance costs exceeded the amounts which might be payable in future years following the agreement of a new remuneration policy for all Directors and Senior Managers in March 2007.

An explanation of the changes in administrative expenses (excluding exceptional administrative expenses) during the period under review is set out below.

Administrative expenses

	<i>Year ended</i> <i>30 June</i> <i>2004</i> <i>£'m</i>	<i>Year ended</i> <i>30 June</i> <i>2005</i> <i>£'m</i>	<i>Year ended</i> <i>30 June</i> <i>2006</i> <i>£'m</i>	<i>6 months</i> <i>ended</i> <i>31 December</i> <i>2005</i> <i>£'m</i>	<i>6 months</i> <i>ended</i> <i>31 December</i> <i>2006</i> <i>£'m</i>
Staff costs	17.4	20.6	28.1	12.8	15.4
Commission payable	4.1	6.1	7.9	3.5	4.5
Marketing spend	3.7	3.8	4.7	1.5	2.4
Depreciation, amortisation and financial costs	0.7	0.8	1.1	0.3	0.2
Other administrative costs and overheads	6.7	6.0	7.4	3.2	3.7
Administrative expenses	32.6	37.3	49.2	21.3	26.2

Staff costs

Staff costs increased by 20 per cent. to £15.4 million in the six months ended 31 December 2006, compared to the six months ended 31 December 2005. The increase was attributable to the recruitment of additional staff, with the average number of employees increasing by 103 to 590 in the six months ended 31 December 2006, compared to 487 in the six months ended 31 December 2005.

Staff costs increased by 36 per cent. to £28.1 million in the financial year ended 30 June 2006, compared to the prior financial year. The increase was partly attributable to the average number of staff, which increased by 82 to 513 in the financial year ended 30 June 2006, compared to 431 in the prior financial year. There was a significant recruitment of more specialised staff in areas such as fund management, consultancy, IT and finance which resulted in an increase in average salary costs. In addition, staff bonuses and commission increased in line with the achievement of business and profitability objectives.

Staff costs increased by 18 per cent. to £20.6 million in the financial year ended 30 June 2005, compared to the prior financial year. The increase was attributable to a rise in the average number of staff and an increase in the average cost of staff due to higher salaries, bonuses and commission payments in line with the achievement of business and profitability objectives.

Commission payable

Commission payable currently comprises the share of the 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).

In addition, historically, the Group's commission payable also included:

- A share of the transaction commission which was earned by the Stockbroking division when it operated a dealing service on behalf of a third party. This service was discontinued in November 2006.
- Commission paid to certain individuals operating as IFAs prior to their recruitment as employees within the Advisory division. This expense is included in commission payable in results for the financial year ended 30 June 2004. In the financial years ended 30 June 2005 and 30 June 2006, this commission is accounted for in staff costs.

Commission payable increased by 29 per cent. to £4.5 million in the six months ended 31 December 2006, compared to the six months ended 31 December 2005. This increase was the result of growth in assets under administration in Vantage. The increase in commission payable

in Vantage was offset to a small extent by a reduction in commission payable on Stockbroking transactions. This resulted from the cessation of dealing services carried out on behalf of a third party in November 2006.

Commission payable increased by 30 per cent. to £7.9 million in the financial year ended 30 June 2006, compared to the prior financial year. The majority of this increase was attributable to the growth in assets under administration in Vantage. In addition, there was a greater amount of commission payable on Stockbroking deals transacted for a third party under a commission sharing arrangement. A small part of the increase was attributable to a rise in the lapses provision for the Corporate Solutions division in line with the growth of this area. These increases were offset by a drop in payments made in the financial year ended 30 June 2005 in relation to a one-off promotion to encourage additional transfers into Vantage.

Commission payable increased by 49 per cent. to £6.1 million in the financial year ended 30 June 2005, compared to the prior financial year. The majority of this increase was attributable to the growth in assets under administration in Vantage. Other factors contributing to the increase included payments made in respect of a one-off promotion to encourage clients to transfer additional assets into Vantage and an increase in commission due to third parties on Stockbroking transactions. These increases were offset by a reduction in commission payable to advisers and corporate pension consultants. The Group employed these individuals directly from 2005 onwards and so commission payable to them became attributable to staff costs in future years.

Marketing spend

This represents the editorial, printing and other costs of sending information and publications to existing and potential clients, as well as the production of marketing material to promote specific products. Included is the regular production and distribution of 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. These costs have increased since 30 June 2004 as a result of greater transaction volumes and expansion of the client base.

Marketing spend increased by 60 per cent. to £2.4 million in the six months ended 31 December 2006, compared to £1.5 million in the six months ended 31 December 2005. The increase is a consequence of greater marketing activity in the 2006 period. Approximately a third of the increase can be attributed to additional *Investment Times* costs. In addition to its regular format, the Group produced three special editions during the six month period ended 31 December 2006.

The remaining costs are a result of other marketing activity with more than a third of the increase caused by a higher postage spend and the remainder split between the costs of printing and providing incentives.

Marketing spend increased by 24 per cent. to £4.7 million in the financial year ended 30 June 2006, compared to £3.8 million in the financial year ended 30 June 2005. The majority of this increase is the result of increased advertising and direct marketing of the Vantage SIPP. Other factors included higher *Investment Times* costs due to more editions being despatched during the financial year ended 30 June 2006 compared to the financial year ended 30 June 2005. The Stockbroking division also conducted more marketing in the 2006 period. A rise in general administrative and marketing activity explains the remainder of the increase.

Marketing spend increased by 3 per cent. to £3.8 million in the financial year ended 30 June 2005, compared to £3.7 million in the financial year ended 30 June 2004. The small net increase is the result of a number of factors. There was a higher spend on advertising and marketing of approximately £0.4 million, of which around one-third related to promotion of the Vantage SIPP and the remainder to Stockbroking services. This was offset by a reduction of £0.5 million in relation to the *Investment Times*. The Group produced fewer copies in the financial year ended 30 June 2005. This followed a conscious decision by the Group to change the marketing mix and supplement issues of the *Investment Times* with relevant targeted promotions to clients and enquirers.

Marketing spend as a percentage of revenue increased to 6 per cent in the six months ended 31 December 2006, compared to 5 per cent. in the six months ended 31 December 2005. On an annual basis, there is a decreasing trend with marketing costs as a percentage of revenue decreasing to 6 per cent. in the financial year ended 30 June 2006, compared to 8 per cent. in

the financial year ended 30 June 2005 and 9 per cent. in the financial year ended 30 June 2004. Increasing use of online promotions has ensured that the increase in promotional activity has not been accompanied by a corresponding increase in cost. The total number of promotions circulated was over 12.3 million in the year ended 31 December 2006, compared to 6.1 million in the prior year and 5.6 million in the year ended 31 December 2004.

Depreciation, amortisation and financial costs

Depreciation, amortisation and financial costs decreased by 33 per cent. to £0.2 million in the six months ended 31 December 2006, compared to the six months ended 31 December 2005. This resulted from an increase in the depreciation cost of £0.1 million, in line with the movement in asset values, offset by an over provision of £0.2 million for financial costs in a previous period.

Depreciation, amortisation and financial costs increased by 38 per cent. to £1.1 million in the financial year ended 30 June 2006, compared to the prior financial year. This resulted from an increase of £0.1 million in the cost of depreciation in line with asset values and a provision of £0.4 million for financial costs. These costs were offset by £0.2 million of financial costs incurred in the prior year.

Depreciation, amortisation and financial costs increased by 14 per cent. to £0.8 million in the financial year ended 30 June 2005, compared to the prior financial year. This is the result of a decrease of £0.1 million in line with the movement in asset values, together with £0.2 million of financial costs.

Other administrative costs and overheads

Other administrative costs and overheads comprise building and utility costs, dealing costs, irrecoverable VAT, compliance costs, compensation payments, data costs, entertaining, professional services, insurance, computer maintenance, external administration charges, website hosting, telephone and any other sundry expenditure.

Other administrative costs and overheads increased by 16 per cent. to £3.7 million in the six months ended 31 December 2006, compared to the six months ended 31 December 2005. This was the result of a number of factors such as an increase in irrecoverable VAT, higher utility costs associated with additional leasehold premises, additional data costs and an increase in legal and professional fees. These were offset to some extent by a reduction in website hosting costs as this responsibility has now been transferred to the in-house IT function. There was also a reduction in dealing costs which was partly the result of a rebate from CREST, the Central Securities Depository for the UK market.

Other administrative costs and overheads increased by 23 per cent., to £7.4 million in the financial year ended 30 June 2006, compared to the prior financial period. This resulted from a number of factors including an increase in compliance and compensation costs, expenditure incurred in relation to the Broker Focus subsidiary which has now ceased trading, additional rent, rates, office and legal costs associated with the acquisition of two new leasehold premises and higher data costs in relation to a new price feed aimed at further improving the quality of information for clients. The costs of travel also increased in line with an expanded sales force in the Advisory division and Corporate Solutions business. There were also higher fees incurred in relation to the transfer of business from other providers into Vantage. The main decrease in other administrative costs during the period was a reduction in irrecoverable VAT.

Other administrative costs and overheads decreased by 10 per cent., to £6.0 million in the financial year ended 30 June 2005, compared to the prior financial year. This was the result of a number of factors including a fall in costs associated with compliance and compensation, a reduction of irrecoverable fees paid on transfers into Vantage, a drop in computer maintenance costs resulting from the transfer of previously outsourced support to the in-house development team and a reduction in both sundry expenses and dealing costs. These were offset by increases in expenditure during the year in relation to data costs, irrecoverable VAT, travel, other staff costs, legal fees and external administration charges in relation to the HL multi manager funds.

4.4 *Operating profit*

Operating profit increased by £5.9 million, or 54 per cent., to £16.8 million in the six months ended 31 December 2006, compared to £10.9 million in the six months ended 31 December 2005. This was the result of changes in total operating income and in administrative expenses, including exceptional administrative expenses, all of which are described above. Operating profit

before exceptional administrative expenses increased by £6.3 million, or 58 per cent., to £17.2 million in the six months ended 31 December 2006, compared to £10.9 million in the six months ended 31 December 2005.

Operating profit decreased by £8.0 million, or 63 per cent., to £4.6 million in the financial year ended 30 June 2006, compared to £12.6 million in the financial year ended 30 June 2005. This was the result of changes in total operating income and in administrative expenses, including exceptional administrative expenses, all of which are described above. Operating profit before exceptional administrative expenses increased by £11.2 million, or 85 per cent., to £24.3 million in the financial year ended 30 June 2006, compared to £13.1 million in the financial year ended 30 June 2005.

Operating profit increased by £6.6 million, or 110 per cent., to £12.6 million in the financial year ended 30 June 2005, compared to £6.0 million in the financial year ended 30 June 2004. This was the result of changes in total operating income and in administrative expenses, including exceptional administrative expenses, all of which are described above. Operating profit before exceptional administrative expenses increased by £3.2 million, or 32 per cent., to £13.1 million in the financial year ended 30 June 2005, compared to £9.9 million in the financial year ended 30 June 2004.

4.5 *Investment revenues*

Investment revenues comprise interest receivable and income from fixed asset investments. The breakdown for each accounting period is provided in the table below:

Investment Revenues

	<i>Year ended</i> <i>30 June</i> <i>2004</i> <i>£'m</i>	<i>Year ended</i> <i>30 June</i> <i>2005</i> <i>£'m</i>	<i>Year ended</i> <i>30 June</i> <i>2006</i> <i>£'m</i>	<i>6 months</i> <i>ended</i> <i>31 December</i> <i>2005</i> <i>£'m</i>	<i>6 months</i> <i>ended</i> <i>31 December</i> <i>2006</i> <i>£'m</i>
Interest receivable and similar income	0.7	1.0	1.0	0.6	0.4
Income from other fixed asset investments	0.1	0.8	1.9	0.1	0.1
Investment Revenues	0.8	1.8	2.9	0.7	0.5

Interest receivable and similar income

In the six month period ended 31 December 2006, interest receivable was £0.4 million, compared to £0.6 million for the six months ended 31 December 2005. In the financial year ended 30 June 2006, the Group received £1.0 million of interest, compared to £1.0 million for the year ended 30 June 2005 and £0.7 million for the year ended 30 June 2004. Interest receivable and similar income is generated on the Group's own cash balances which are placed on overnight deposit and, up until February 2007, were also invested in cash funds.

Income from other fixed asset investments

In the six month period ended 31 December 2006, income from other fixed asset investments was £0.1 million, compared to £0.1 million for the six months ended 31 December 2005. In the financial year ended 30 June 2006, income from other fixed asset investments was £1.9 million, compared to £0.8 million for the prior year and £0.1 million for the financial year ended 30 June 2004. The increase in income from other fixed asset investments in the financial years ending 30 June 2005 and 2006 was due to the Group receiving £0.7 million and £1.9 million as part of a share consolidation from London Stock Exchange. Between 1 January 2007 and 28 February 2007 the Group disposed of 350,000 shares in London Stock Exchange. The Group intends to sell the remaining 172,688 shares in the near future.

4.6 Other gains and losses

Other gains and losses

	<i>Year ended</i> <i>30 June</i> <i>2004</i> <i>£'m</i>	<i>Year ended</i> <i>30 June</i> <i>2005</i> <i>£'m</i>	<i>Year ended</i> <i>30 June</i> <i>2006</i> <i>£'m</i>	<i>6 months</i> <i>ended</i> <i>31 December</i> <i>2005</i> <i>£'m</i>	<i>6 months</i> <i>ended</i> <i>31 December</i> <i>2006</i> <i>£'m</i>
Other gains and losses	—	—	—	—	3.2

In the six months ended 31 December 2006 there were net gains of £3.2m, compared to nil in the six month period ended 31 December 2005. These related to gains on the sale of shares in EMX Company Limited and London Stock Exchange.

There were no net gains or losses in the years ended 30 June 2004, 30 June 2005 or 30 June 2006.

4.7 Taxation

Taxation

	<i>Year ended</i> <i>30 June</i> <i>2004</i> <i>£'m</i>	<i>Year ended</i> <i>30 June</i> <i>2005</i> <i>£'m</i>	<i>Year ended</i> <i>30 June</i> <i>2006</i> <i>£'m</i>	<i>6 months</i> <i>ended</i> <i>31 December</i> <i>2005</i> <i>£'m</i>	<i>6 months</i> <i>ended</i> <i>31 December</i> <i>2006</i> <i>£'m</i>
Profit before tax	6.8	14.5	7.6	11.6	20.5
Tax	1.9	4.2	1.6	3.3	6.4
Effective tax rate	28%	29%	21%	28%	31%

Group profits are subject to tax at the underlying standard UK corporation tax rate, currently 30 per cent. for the year ending 30 June 2007. The effective tax rate varies from this rate depending upon the level of expenses which are not deductible for tax purposes, income not subject to tax and other timing differences. It is expected that the effective tax rate will trend towards the standard UK corporation tax rate in the medium term.

Taxation increased by 94 per cent. to £6.4 million in the six month period ended 31 December 2006, compared to the six month period ended 31 December 2005. The higher charge was attributable to an increase of 77 per cent. in taxable profits and an increase in the effective tax rate from 28 per cent. to 31 per cent as a result of an increase in non deductible costs in relation to the Offer.

Taxation decreased by 62 per cent., to £1.6 million in the financial year ended 30 June 2006, compared to the prior financial year. The decrease was attributable to a 48 per cent. decrease in taxable profits and a substantial drop in the effective tax rate from 29 per cent. to 21 per cent. The reduced tax rate was largely the result of a dividend receipt of £1.9 million with respect to the Group's shareholding in the London Stock Exchange plc as a result of a capital reorganisation on which no tax was payable.

Taxation increased by 121 per cent. to £4.2 million in the financial year ended 30 June 2005, compared to the prior financial year. The higher charge was attributable to a 113 per cent. increase in profits and a small rise in the effective tax rate from 28 per cent. to 29 per cent.

5 CAPITAL RESOURCES AND ADEQUACY

5.1 Overview

Hargreaves Lansdown is a cash generative business with 113 per cent. of profit after tax converted into net cash from operating activities in the financial year ended 30 June 2006 compared to 109 per cent. for the year ended 30 June 2005.

The Group's working capital has been met through cash generated by its operations. It has not previously issued significant debt and is not seeking to raise additional capital in the Offer.

The Group expects that the main uses of cash will be to expand its core business, pay operating expenses of the business, further improve the scalability, performance and resilience of the Group's systems, invest in technology and infrastructure and pay shareholder dividends. The Group is also seeking new offices in Bristol to replace the four sites which are currently occupied.

5.2 Capitalisation

	<i>30 June</i> <i>2004</i> <i>£'000</i>	<i>30 June</i> <i>2005</i> <i>£'000</i>	<i>30 June</i> <i>2006</i> <i>£'000</i>	<i>31 December</i> <i>2006</i> <i>£'000</i>
Share capital	172	172	172	172
Share premium account	1,648	1,733	1,733	1,733
Revaluation reserves	3,707	4,263	7,149	6,255
Capital redemption reserve	12	12	12	12
Own shares	(489)	(469)	(19,809)	(18,200)
EBT reserve	—	—	(63)	(52)
Share option reserve	157	209	914	2,637
Retained earnings	21,377	29,211	27,361	41,484
Total shareholders' equity	<u>26,584</u>	<u>35,131</u>	<u>17,469</u>	<u>34,041</u>

In the financial year ended 30 June 2005, the Group issued 4,412 ordinary shares of 10p each leading to an increase of £85,000 in the share premium account. As at 31 December 2006 the share capital consisted of 1,724,795 ordinary shares of 10p each.

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

Own shares represents the cost of shares in the Company held by the EBT to satisfy options under the Group's share options schemes. In the financial year ended 30 June 2006, the EBT purchased 131,339 ordinary shares of 10p each at a cost of £19,667,986. The purchase of 130,000 of these shares was funded in part by an interest free loan of £14 million from the Group. The cost of own shares is transferred from this reserve to the EBT reserve on the take-up of options, together with the proceeds, such that the balance on the EBT reserve represents any resultant profit or loss.

On 10 April 2007, each issued and unissued share of nominal value 10p was subdivided into 25 Ordinary Shares of 0.4p each and a total of 431,198,750 Ordinary Shares were allotted and issued by way of a bonus issue on the basis of ten new Ordinary Shares for every one Ordinary Share held.

As at the date of this prospectus, the following options have been granted and are outstanding under the Employee Share Schemes:

<i>Type of scheme</i>	<i>Maximum no. of Ordinary Shares under option</i>	<i>Exercise price</i>	<i>Exercise details</i>
SAYE	4,118,125	£0.04	Between June 2007 and November 2008
SAYE	3,561,250	£0.04	Between August 2008 and January 2009
SAYE	5,040,750	£0.55	Between May 2012 and November 2012
Option Scheme (Unapproved)	1,787,500	£0.55	No later than February 2016
Option Scheme (Unapproved)	2,667,500	£0.64	No later than July 2016
Total	17,175,125	n/a	n/a

The number of Ordinary Shares of 0.4p held by the EBT at the date of this Prospectus is 31,032,925. It is intended that the loan from the Group will be repaid out of the proceeds realised by the EBT from the sale of 12,738,340 Ordinary Shares as part of the Offer.

The EBT reserve represents the net loss resulting from the transfer of shares to members of the Employee Share Schemes.

The share option reserve represents the effect of share based payments and any associated deferred tax.

Finally, the retained earnings reserve represents the net effect of retained profits for the period, dividends paid and any adjustment for the disposal of investments.

In the six months ended 31 December 2006, the net retained profit for the period was £14.1 million compared with £8.3 million for the six months ended 31 December 2005. No dividends were paid in either period.

In the financial year ended 30 June 2006, the net profit was £6.0 million and the Group paid dividends of £7.9 million which included a special dividend of £4.7 million. In the financial year ended 30 June 2005, the Group made a net profit of £10.3 million and paid dividends of £2.5 million. In the financial year ended 30 June 2004, the Group made a net profit of £4.9 million and paid dividends of £3.2 million.

5.3 *Liquidity and Capital Resources*

Hargreaves Lansdown regularly monitors its liquidity position, including cash levels and significant outgoings. Cash and cash equivalents comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less. As at 31 December 2006, the Group held total cash and cash equivalents of £34 million compared to £17 million as at 31 December 2005.

At 30 June 2006, the Group held cash and cash equivalents of £14 million, compared to £32 million as at 30 June 2005 and £22 million as at 30 June 2004.

The table below summarises Hargreaves Lansdown's cash flows for the periods indicated:

	<i>Year ended</i> <i>30 June</i> <i>2004</i> <i>£'m</i>	<i>Year ended</i> <i>30 June</i> <i>2005</i> <i>£'m</i>	<i>Year ended</i> <i>30 June</i> <i>2006</i> <i>£'m</i>	<i>6 months</i> <i>ended</i> <i>31 December</i> <i>2005</i> <i>£'m</i>	<i>6 months</i> <i>ended</i> <i>31 December</i> <i>2006</i> <i>£'m</i>
Net cash from operating activities	10.1	11.2	6.8	4.1	15.9
Net cash from/(used in) investing activities	0.3	1.3	(17.3)	(19.2)	3.7
Net cash from/(used in) financing activities	(2.6)	(2.4)	(7.9)		0.3
Net increase/(decrease) in cash and cash equivalents	7.8	10.2	(18.4)	(15.1)	19.9

Hargreaves Lansdown's operations are highly cash generative. The Group typically receives renewal commission on assets held under administration or management on a monthly basis and a high proportion of the transactional based income is received at the time of execution. The main administration costs relate to staff and these are predominantly paid monthly, although there is a variable element in the form of quarterly and annual bonus payments. Another significant cost to the Group is the proportion of renewal commission which is rebated back to clients as a cash loyalty bonus. These payments are not made until they have been received from the relevant fund provider and are usually paid on a monthly basis.

Net cash from (used in) operating activities

	<i>Year ended</i> <i>30 June</i> <i>2004</i> <i>£'m</i>	<i>Year ended</i> <i>30 June</i> <i>2005</i> <i>£'m</i>	<i>Year ended</i> <i>30 June</i> <i>2006</i> <i>£'m</i>	<i>6 months ended</i> <i>31 December</i> <i>2005</i> <i>£'m</i>	<i>6 months ended</i> <i>31 December</i> <i>2006</i> <i>£'m</i>
Profit for the period after tax	4.9	10.3	6.0	8.3	14.1
Net cash from operating activities	10.1	11.2	6.8	4.1	15.9
% conversion into cash	206%	109%	113%	49%	113%

Cash generated from operating activities each month are usually more than sufficient to meet the operating expenses of the business as they fall due. In the event that the cash received for a given month does not cover the operating expenses payable, Hargreaves Lansdown is generally able to fund its liquidity requirements through cash balances in hand.

Net cash from (used in) investing activities

The Group's incoming cash from investing activities typically consists of interest received on cash deposited in high interest accounts, dividends received from trading investments and proceeds on the sale of the Group's own shares.

The cash used in investing activities includes capital expenditure (predominantly computer equipment), the acquisition of investments and the purchase of the Group's own shares by the EBT.

The Group's net cash inflow from investing activities increased by £22.9 million to an inflow of £3.7 million in the six months ended 31 December 2006, compared to an outflow of £19.2 million in the six months ended 31 December 2005. The increase was largely attributable to the purchase of Hargreaves Lansdown shares by the EBT for £19.7 million in the six months ended 31 December 2005. In addition, the Group generated additional cash in the six months ended 31 December 2006 through the partial disposal of its shares in London Stock Exchange plc and the proceeds from the take-up of options in the Company's own shares. These increases were offset by a number of factors including additional capital expenditure and a reduction in interest received.

The Group's net cash inflow from investing activities decreased by £18.6 million to an outflow of £17.3 million for the financial year ending 30 June 2006, compared to an inflow of £1.3 million for the prior financial year. The decrease can largely be attributed to the purchase of Hargreaves Lansdown shares by the EBT for £19.7 million in the financial year ended 30 June 2006. The Group also received greater proceeds on the sale of investments in the financial year ended 30 June 2005, which contributed to the decrease. These two factors were offset by an increase in dividends received in the financial year ended 30 June 2006, additional proceeds from the take-up of options on the Group's own shares and a reduction in capital expenditure.

The Group's net cash inflow from operating activities increased by £1.0 million to £1.3 million in the financial year ended 30 June 2005, compared to £0.3 million in the prior financial year. The increase was attributable to a number of factors including additional dividends from trading investments, proceeds on the sale of investments and additional interest received. These higher inflows were offset to some extent by higher capital expenditure and the costs of purchases of shares in the Company by the EBT which exceeded the proceeds from the exercise of share options.

Net cash from (used in) financing activities

The Group's main outgoing from financing activities is the payment of dividends and the main inflows have been cash received upon the issue of ordinary shares.

In the six month period ended 31 December 2006, the Group received £0.3 million in relation to a loan repayment from a former subsidiary. No financing activities took place in the six month period ended 31 December 2005.

The Group's net cash outflow from financing activities were £7.9 million for the year ended 30 June 2006, £2.4 million for the year ended 30 June 2005 and £2.6 million for the year ended 30 June 2004. These were largely attributable to dividends paid of £7.9 million in the financial year ended 30 June 2006, £2.5 million in the financial year ended 30 June 2005 and £3.2 million in the financial year ended 30 June 2004.

The only other financing activities during these periods were proceeds from the issue of ordinary shares in the financial years ended 30 June 2005 and 30 June 2004 and a loan repayment received by the Group in the financial year ended 30 June 2004.

Capital Expenditure

The Group's capital expenditure requirements have not been significant and predominantly relate to the purchase of IT equipment.

	<i>Year ended 30 June 2004 £'m</i>	<i>Year ended 30 June 2005 £'m</i>	<i>Year ended 30 June 2006 £'m</i>	<i>6 months ended 31 December 2005 £'m</i>	<i>6 months ended 31 December 2006 £'m</i>
Computer software	0.1	0.1	0.0	0.0	0.0
Fixtures, fittings, plant and equipment	0.5	0.8	0.8	0.3	0.9
Total	0.6	0.9	0.8	0.3	0.9

In order to support its anticipated growth, the Company's future investment in its businesses, including in its information technology capability, is likely to be greater than its historical capital expenditure requirement. As a result, the Directors expect capital expenditure for the year ending 30 June 2008 to be in the region of £2 million to £2.5 million.

The Group is currently exploring the possibility of relocating to a single site, probably in 2009. In the event that this takes place, the Group is likely to experience an additional capital expenditure requirement in relation to the relocation.

Regulatory Capital

The Group is subject to specific regulatory obligations in respect of four subsidiary companies, which are authorised and regulated by the Financial Services Authority; the companies are:

- (a) Hargreaves Lansdown Asset Management Limited;
- (b) Hargreaves Lansdown Stockbrokers Limited;
- (c) Hargreaves Lansdown Fund Managers Limited; and
- (d) Hargreaves Lansdown Pensions Direct Limited.

The individual firms maintain capital resources at a level that satisfies both their regulatory capital requirements as well as their working capital requirements. Each firm has a slightly different regulatory profile according to its business category and permission levels but, essentially, the capital requirements of all firms are based on the need to cover fixed expenditure and liquidity requirements, which vary from time to time. Based on audited accounts as at 30 June 2006, the aggregated regulatory capital requirement across the four regulated subsidiary companies was approximately £5 million compared to capital resources of approximately £13 million, which resulted in a surplus of approximately £8 million.

Hargreaves Lansdown reviews its regulatory capital requirements on an ongoing basis, taking into account new requirements under the Capital Requirements Directive, due for full implementation by 1 January 2008. The Group believes that trading levels and continued profitability will ensure that its regulated firms will meet their respective capital requirements for the foreseeable future.

6 MARKET RISK

A large percentage of the Group's recurring revenue is based on the value of clients' investments held in Hargreaves Lansdown's nominee services. The Group's revenue streams are therefore exposed to market risk. In addition, in a falling market or in other economic conditions, Hargreaves Lansdown's clients may withdraw funds from their nominee accounts and may provide less new business for the Group. However, the Directors believe that in such conditions clients would be less likely to withdraw funds from tax efficient vehicles such as PEPs, ISAs and SIPPs and more likely to increase the proportion of their portfolio invested in cash, to avoid the loss of tax advantages. As at 31 March 2007, approximately 77 per cent. of Vantage client assets under administration were held in tax efficient wrappers.

Hargreaves Lansdown Asset Management is authorised to act as principal when trading in investments. However, the Company does not currently take principal positions in investments when trading on behalf of Hargreaves Lansdown's clients.

Hargreaves Lansdown Stockbrokers Limited provides clients with access to CFD trading, FX trading and spread betting services via third party firms. However, Hargreaves Lansdown does not conduct any trading in these investments and is not therefore exposed to market risk or client default risk.

Hargreaves Lansdown does not have any debt other than trade payables and so exposure to interest rate fluctuations is limited to the impact they may have on interest earned on its own cash balances. Interest paid out in relation to client cash balances is linked to base rates.

7 CRITICAL ACCOUNTING POLICIES

Hargreaves Lansdown's discussion and analysis of its financial condition and results of operations are based upon its consolidated financial information, which has been prepared in accordance with IFRS as adopted by the EU (except as modified by certain accounting conventions commonly used for the preparation of historical financial information for inclusion in investment circulars as described in the Annexure to SIR 2000 (Investment Reporting Standard applicable to public reporting engagements on historical financial information) issued by the UK Auditing Practices Board and as described in note 1 to the historical financial information set out in Part VI ("Financial Information on the Group")). The main difference is described below in the basis of preparation note. The preparation of this consolidated financial information requires that Hargreaves Lansdown make assumptions, estimates and judgements that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities.

Hargreaves Lansdown believes that the estimates, assumptions and judgements involved in the following accounting policies have the greatest potential impact on the consolidated financial information and therefore considers them to be its critical accounting policies. Actual results could differ materially from these estimates under different assumptions or conditions in applying the accounting policies described below.

Basis of preparation

The consolidated financial information has been prepared for inclusion in this Prospectus for the application by Hargreaves Lansdown for Admission. It shows the consolidated track record of the Company and those entities which are its subsidiaries for the three years and six months ended 31 December 2006.

As a company seeking Admission, Hargreaves Lansdown Plc is required to present certain historical financial information in its prospectus on a basis consistent with the accounting policies to be adopted in its financial statements for its next financial period. Therefore, the Directors have prepared financial information for the Group on the basis expected to be applicable, insofar as this is currently known, to the first financial statements of the Company to be prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS as adopted by the EU) and relevant International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued by the International Accounting Standards Board ("IASB"), (collectively "IFRS"). Following admission to the Official List, the Company will be required to prepare statutory consolidated financial statements which comply with IFRS for the year ending 30 June 2007 (the "2007 Financial Statements") and subsequently.

The Company is not required by the Prospectus Rules of the Financial Services Authority to prepare, for inclusion in its Prospectus, financial information in accordance with IFRS for any financial period commencing before 1 July 2004. However to ensure comparability, the Directors have elected to prepare this financial information in accordance with IFRS in respect of all accounting periods presented.

The consolidated financial information has been prepared in accordance with the requirements of the PD regulations and the Listing Rules and in accordance with this basis of preparation. This basis of preparation describes how the financial information has been prepared in accordance with IFRS except as described below.

IFRSs as adopted by the EU do not provide for the specific accounting treatments set out below, and accordingly in preparing the consolidated financial information certain accounting conventions commonly used for the preparation of historical financial information for inclusion in investment circulars as described in the Annexure to SIR 2000 (Investment Reporting

Standard applicable to public reporting engagements on historical financial information) issued by the UK Auditing Practices Board have been applied. The application of these conventions results in the following departures from IFRS. In other respects IFRSs as adopted by the EU have been applied.

The transitional provisions of IFRS 1 'First-time Adoption of International Financial Reporting Standards' have not been applied

Previously the consolidated Group followed UK Accounting Standards issued by the UK Accounting Standard Board and the pronouncements of its Urgent Issues Task Force and the Act (collectively "UK GAAP"). To ensure comparability, the Directors have elected to prepare this financial information in accordance with IFRS in respect of all accounting periods presented and no transitional provisions as permitted under IFRS 1 have been applied. When the 2007 Financial Statements of the Company are prepared, they will be the first financial statements prepared by Hargreaves Lansdown Plc in accordance with IFRS, and as such will take account of the requirements and options in IFRS 1 as they relate to the financial information for the year ending 30 June 2007 and the comparatives included therein, being the financial year ended 30 June 2006. However, certain of the requirements and options in IFRS 1 relating to comparative financial information presented on first-time adoption may result in a different application of accounting policies in the financial information for the year ended 30 June 2006 from that which would apply if the financial information in this Prospectus were the first financial statements of Hargreaves Lansdown Plc prepared in accordance with IFRS. In addition, if there are subsequent changes to the standards or interpretations applicable to the 2007 Financial Statements, the financial information for the financial year ended 30 June 2006 may require adjustment before constituting the comparative financial information to be included in those 2007 Financial Statements. Furthermore, the Directors, in drawing up the 2007 Financial Statements, may refine the assumptions used in preparing the IFRS Financial Information with respect to the options in IFRS 1.

Reconciliations of IFRS results to results previously reported under UK GAAP have not been presented

To ensure comparability, the Directors have elected to prepare this financial information in accordance with IFRS in respect of all accounting periods presented. However, when the 2007 Financial Statements of the Company are prepared, they will be the first financial statements prepared by Hargreaves Lansdown Plc in accordance with IFRS, and as such will take account of the requirements and options in IFRS 1 'First-time Adoption of International Financial Reporting Standards' as they relate to the financial information for the year ending 30 June 2007 and the comparatives included therein, being the financial year ended 30 June 2006. The date of transition to IFRS will therefore be 1 July 2005, and accordingly reconciliations of IFRS results to those previously reported under UK GAAP will be presented within the 2007 financial statements.

Presentation of earnings per share

The Directors have presented basic earnings per share and diluted earnings per share on the basis required by IAS 33 'Earnings per Share'. The Directors have also presented earnings per share on an adjusted basis. IAS 33 permits the presentation of alternative earnings per share calculations, but requires that these are presented within a note to the accounts instead of on the face of the income statement. The adjusted earnings per share calculation adjusts for the effect of the exceptional items which are shown on the face of the income statement. Therefore for comparability, the Directors have chosen to present the adjusted earnings per share calculations on the face of the income statement. This is a departure from the presentational requirements of IAS 33.

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 income is on a trade date basis. Where commission is received on an indemnity basis, a provision is made for clawbacks which would be due if the policy lapses.

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.

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 period. 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 periods 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 information 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 and reduced to the extent that it is no longer 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 period 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 Payment. For the purposes of this financial information IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested at 1 July 2003.

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 method. 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. As the Company's shares are not currently listed on a stock exchange and therefore no readily available market price exists for the shares, the share price has been based on the market value agreed with HM Revenue and Customs and share price volatility has been estimated as the average of the volatility applying to a comparable group of listed companies.

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 listed investments have been classified as available-for-sale and as such those investments have been presented as current asset investments and included at fair value with the revaluation surplus reflected in the revaluation reserve as shown in note 24 to the historical financial information set out in Part VI ("Financial Information on the Group"). The Group's unlisted available-for-sale investments are included at cost with a fair value adjustment recognised upon disposal of the investment. The Group's non-current investments represent investments in associated undertakings which are carried at a value equal to the Group's share of the net assets of the associates.

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.

8 CAPITAL AND INDEBTEDNESS OF THE GROUP

8.1 The following tables show the audited capitalisation and unaudited indebtedness of the Group as at 31 December 2006, updated with the unaudited details of the capitalisation and indebtedness of the Group as at 31 March 2007.

<i>Total current and non-current debt</i> ¹	£'000
Guaranteed	—
Secured	—
Unguaranteed/unsecured	—
 <i>Shareholders' equity</i> ²	 £'000
Share capital	172
Legal reserves	1,745
Other ³	(14,905)

The following table sets out the net consolidated financial funds of the Group as at 31 March 2007.

<i>Net (indebtedness)/funds</i> ⁴	£'000
Cash ⁵	46,829
Cash equivalents	—
Trading securities ⁶	3,388
	<hr/>
Total liquidity	50,217
Current bank debt	—
Current portion of non current debt	—
Other current financial debt	—
Current financial debt	—
	<hr/>
Net current financial (indebtedness)/funds	50,217
Non current bank loans	—
Bonds issued	—
Other non-current financial debt	—
Non current financial indebtedness	—
	<hr/>
Net financial funds	<u>50,217</u>

1 This statement of indebtedness has been prepared under IFRS using policies which are consistent with those used in the preparing of the Group's financial statements for the six month period ended 31 December 2006.

2 Shareholders' equity excludes the revaluation reserve, share option reserve and retained earnings. The balances on these reserves as at 31 December 2006 are shown in the capital resources and adequacy section at paragraph 5 of this Part V.

3 Other reserves represents the cost of shares in the Company held by the EBT to satisfy options under the Group's share options schemes.

4 The Group has no indirect or contingent indebtedness as at 31 March 2007.

5 Cash includes restricted client cash balances of £8,292,000.

6 Trading securities represent investments in a number of securities. The majority of the value of trading securities as at 31 March 2007 comprises an investment in the ordinary shares of London Stock Exchange plc.

Part VI

Financial Information on the Group

Section A – Historical financial information

Consolidated income statements

		<i>Year ended</i> <i>30 June</i> <i>2004</i> <i>£'000</i>	<i>Year ended</i> <i>30 June</i> <i>2005</i> <i>£'000</i>	<i>Year ended</i> <i>30 June</i> <i>2006</i> <i>£'000</i>	<i>6 months</i> <i>ended</i> <i>31 December</i> <i>2005</i> <i>Unaudited</i> <i>£'000</i>	<i>6 months</i> <i>ended</i> <i>31 December</i> <i>2006</i> <i>£'000</i>
Revenue	4	40,019	48,639	71,195	31,515	41,480
Other operating income		2,501	1,740	2,265	677	1,861
Total operating income		42,520	50,379	73,460	32,192	43,341
Administrative expenses	6	(32,591)	(37,290)	(49,190)	(21,315)	(26,165)
Exceptional administrative expenses	6	(3,903)	(451)	(19,627)	—	(336)
Total administrative expenses		(36,494)	(37,741)	(68,817)	(21,315)	(26,501)
Share of results of associates		(57)	(3)	—	—	—
Total operating costs		(36,551)	(37,744)	(68,817)	(21,315)	(26,501)
Operating profit		5,969	12,635	4,643	10,877	16,840
Analysed as:						
Operating profit before exceptional administrative expenses		9,872	13,086	24,270	10,877	17,176
Exceptional administrative expenses	6	(3,903)	(451)	(19,627)	—	(336)
Operating profit		5,969	12,635	4,643	10,877	16,840
Investment revenues	8	840	1,833	2,919	719	492
Other gains and losses	9	—	36	35	—	3,196
Profit before tax		6,809	14,504	7,597	11,596	20,528
Tax	10	(1,876)	(4,172)	(1,584)	(3,255)	(6,405)
Profit for the period	6	4,933	10,332	6,013	8,341	14,123
Earnings per share						
Basic earnings per share (pence)	12	1.0	2.2	1.3	1.8	3.0
Diluted earnings per share (pence)	12	1.0	2.2	1.3	1.8	3.0
Adjusted basic earnings per share (pence)	12	1.6	2.2	4.2	1.8	3.0
Adjusted diluted earnings per share (pence)	12	1.6	2.2	4.2	1.8	3.0

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

Consolidated statement of recognised income and expense

		<i>Year ended</i>	<i>Year ended</i>	<i>Year ended</i>	<i>6 months</i>	<i>6 months</i>
		<i>30 June</i>	<i>30 June</i>	<i>30 June</i>	<i>ended</i>	<i>ended</i>
		<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>31 December</i>	<i>31 December</i>
	<i>Note</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>Unaudited</i>	<i>2006</i>
					<i>£'000</i>	<i>£'000</i>
Profit for the period		4,933	10,332	6,013	8,341	14,123
Revaluation of available-for-sale investments	24	544	778	4,104	1,163	1,904
Gain on disposal of available for sale investments transferred to income statement, net of tax	24	—	—	—	—	(2,236)
Deferred tax on revaluation of available-for-sale investments	24	(151)	(222)	(1,218)	(345)	(562)
Gain/(loss) on sale of shares by EBT	27	—	—	(63)	(89)	11
Net income/(expense) recognised directly in equity		<u>393</u>	<u>556</u>	<u>2,823</u>	<u>729</u>	<u>(883)</u>
Total recognised income and expense for the period		<u>5,326</u>	<u>10,888</u>	<u>8,836</u>	<u>9,070</u>	<u>13,240</u>

Consolidated balance sheets

		<i>30 June</i>	<i>30 June</i>	<i>30 June</i>	<i>31 December</i>
		<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2006</i>
	<i>Note</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Non-current assets					
Goodwill	13	1,333	1,333	1,333	1,333
Other intangible assets	14	78	140	97	95
Property, plant and equipment	15	1,241	1,504	1,719	2,230
Financial assets – available for sale investments	17	87	—	—	—
Deferred tax assets	19	398	353	820	2,300
		<u>3,137</u>	<u>3,330</u>	<u>3,969</u>	<u>5,958</u>
Current assets					
Trade and other receivables	18	24,923	33,254	48,075	51,193
Cash and cash equivalents	18	21,990	32,147	13,745	33,658
Financial assets – available for sale investments	17	8,762	9,243	13,352	10,791
		<u>55,675</u>	<u>74,644</u>	<u>75,172</u>	<u>95,642</u>
Total assets		<u>58,812</u>	<u>77,974</u>	<u>79,141</u>	<u>101,600</u>
Current liabilities					
Trade and other payables	20	28,982	37,480	57,610	61,717
Current tax liabilities		858	2,524	—	2,720
		<u>29,840</u>	<u>40,004</u>	<u>57,610</u>	<u>64,437</u>
Net current assets		<u>25,835</u>	<u>34,640</u>	<u>17,562</u>	<u>31,205</u>
Non-current liabilities					
Deferred tax liabilities	19	1,781	2,042	2,882	2,484
Trade and other payables	20	389	509	665	193
Provisions	21	218	288	515	445
		<u>2,388</u>	<u>2,839</u>	<u>4,062</u>	<u>3,122</u>
Total liabilities		<u>32,228</u>	<u>42,843</u>	<u>61,672</u>	<u>67,559</u>
Net assets		<u>26,584</u>	<u>35,131</u>	<u>17,469</u>	<u>34,041</u>
Equity					
Share capital	22	172	172	172	172
Share premium account	23	1,648	1,733	1,733	1,733
Revaluation reserve	24	3,707	4,263	7,149	6,255
Capital redemption reserve	25	12	12	12	12
Shares held by Employee Benefit Trust	26	(489)	(469)	(19,809)	(18,200)
EBT reserve	27	—	—	(63)	(52)
Share option reserve	28	157	209	914	2,637
Retained earnings	29	21,377	29,211	27,361	41,484
Total equity, attributable to equity shareholders of the parent		<u>26,584</u>	<u>35,131</u>	<u>17,469</u>	<u>34,041</u>

Consolidated cash flow statements

		<i>Year ended</i> <i>30 June</i> <i>2004</i> <i>£'000</i>	<i>Year ended</i> <i>30 June</i> <i>2005</i> <i>£'000</i>	<i>Year ended</i> <i>30 June</i> <i>2006</i> <i>£'000</i>	<i>6 months</i> <i>ended</i> <i>31 December</i> <i>2005</i> <i>Unaudited</i> <i>£'000</i>	<i>6 months</i> <i>ended</i> <i>31 December</i> <i>2006</i> <i>£'000</i>
Net cash from operating activities, after tax	30	10,074	11,225	6,776	4,085	15,942
Investing activities						
Interest received		689	1,047	993	666	375
Dividends received from associates		52	—	—	—	—
Dividends received from trading investments		99	786	1,926	53	117
Proceeds on disposal of available-for-sale investments		—	—	—	—	2,540
Proceeds on disposal of property, plant and equipment		19	10	—	—	—
Purchases of property, plant and equipment		(552)	(775)	(830)	(342)	(902)
Purchase of intangible fixed assets		(54)	(130)	(17)	(17)	(40)
Acquisition of investments		(6)	(31)	(69)	—	—
Proceeds on sale of investment in associated undertaking		—	418	85	—	—
Purchases of own shares		—	(105)	(19,667)	(19,667)	—
Proceeds on sale of own shares		95	125	264	110	1,631
Net cash from/(used in) investing activities		342	1,345	(17,315)	(19,197)	3,721
Financing activities						
Receipts on issue of ordinary shares		349	85	—	—	—
Receipt from repayment of loan		250	—	—	—	250
Dividends paid		(3,166)	(2,498)	(7,863)	—	—
Net cash (used in)/from financing activities		(2,567)	(2,413)	(7,863)	—	250
Net increase/(decrease) in cash and cash equivalents		7,849	10,157	(18,402)	(15,112)	19,913
Cash and cash equivalents at beginning of period		14,141	21,990	32,147	32,147	13,745
Cash and cash equivalents at end of period		21,990	32,147	13,745	17,035	33,658

Notes to the financial information

1. General information

Hargreaves Lansdown Plc is a company incorporated in the United Kingdom under the Companies Act 1985.

Basis of accounting

Basis of preparation

The consolidated financial information has been prepared for inclusion in this Prospectus for the application by Hargreaves Lansdown for Admission. It shows the consolidated track record of the Company and those entities which are its subsidiaries for the three years and six months ended 31 December 2006.

As a company seeking Admission, Hargreaves Lansdown Plc is required to present certain historical financial information in its prospectus on a basis consistent with the accounting policies to be adopted in its financial statements for its next financial period. Therefore, the directors of the Company (the “Directors”) have prepared financial information for the Group on the basis expected to be applicable, insofar as this is currently known, to the first financial statements of the Company to be prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS as adopted by the EU) and relevant International Financial Reporting Interpretations Committee (“IFRIC”) interpretations issued by the International Accounting Standards Board (“IASB”), (collectively “IFRS”). Following admission to the Official List, the Company will be required to prepare statutory consolidated financial statements which comply with IFRS for the year ending 30 June 2007 (the “2007 Financial Statements”) and subsequently.

The Company is not required by the Prospectus Rules of the Financial Services Authority to prepare, for inclusion in its Prospectus, financial information in accordance with IFRS for any financial period commencing before 1 July 2004. However to ensure comparability, the Directors have elected to prepare this financial information in accordance with IFRS in respect of all accounting periods presented.

The consolidated financial information has been prepared in accordance with the requirements of the PD regulations and the Listing Rules and in accordance with this basis of preparation. This basis of preparation describes how the financial information has been prepared in accordance with IFRS except as described below.

IFRSs as adopted by the EU do not provide for the specific accounting treatments set out below, and accordingly in preparing the consolidated financial information certain accounting conventions commonly used for the preparation of historical financial information for inclusion in investment circulars as described in the Annexure to SIR 2000 (Investment Reporting Standard applicable to public reporting engagements on historical financial information) issued by the UK Auditing Practices Board have been applied. The application of these conventions results in the following material departures from IFRS. In other respects IFRSs as adopted by the EU have been applied.

The transitional provisions of IFRS 1 ‘First-time Adoption of International Financial Reporting Standards’ have not been applied.

Previously the consolidated Group followed UK Accounting Standards issued by the UK Accounting Standard Board and the pronouncements of its Urgent Issues Task Force and the Act (collectively “UK GAAP”). To ensure comparability, the Directors have elected to prepare this financial information in accordance with IFRS in respect of all accounting periods presented and no transitional provisions as permitted under IFRS 1 have been applied. When the 2007 Financial Statements of the Company are prepared, they will be the first financial statements prepared by Hargreaves Lansdown Plc in accordance with IFRS, and as such will take account of the requirements and options in IFRS 1 as they relate to the financial information for the year ending 30 June 2007 and the comparatives included therein, being the financial year ended 30 June 2006. However, certain of the requirements and options in IFRS 1 relating to comparative financial information presented on first-time adoption may result in a different application of accounting policies in the financial information for the year ended 30 June 2006 from that which would apply if the financial information in this Prospectus were the first financial statements of Hargreaves Lansdown Plc prepared in accordance with IFRS. In

addition, if there are subsequent changes to the standards or interpretations applicable to the 2007 Financial Statements, the financial information for the financial year ended 30 June 2006 may require adjustment before constituting the comparative financial information to be included in those 2007 Financial Statements. Furthermore, the Directors, in drawing up the 2007 Financial Statements, may refine the assumptions used in preparing the IFRS Financial Information with respect to the options in IFRS 1.

Reconciliations of IFRS results to results previously reported under UK GAAP have not been presented.

To ensure comparability, the Directors have elected to prepare this financial information in accordance with IFRS in respect of all accounting periods presented. However, when the 2007 Financial Statements of the Company are prepared, they will be the first financial statements prepared by Hargreaves Lansdown Plc in accordance with IFRS, and as such will take account of the requirements and options in IFRS 1 'First-time Adoption of International Financial Reporting Standards' as they relate to the financial information for the year ending 30 June 2007 and the comparatives included therein, being the financial year ended 30 June 2006. The date of transition to IFRS will therefore be 1 July 2005, and accordingly reconciliations of IFRS results to those previously reported under UK GAAP will be presented within the 2007 financial statements.

Presentation of earnings per share.

The Directors have presented basic earnings per share and diluted earning per share on the basis required by IAS 33 'Earnings per Share'. The Directors have also presented earnings per share on an adjusted basis. IAS 33 permits the presentation of alternative earnings per share calculations, but requires that these are presented within a note to the accounts instead of on the face of the income statement. The adjusted earnings per share calculation adjusts for the effect of the exceptional items which are shown on the face of the income statement. Therefore for comparability, the Directors have chosen to present the adjusted earnings per share calculations on the face of the income statement. This is a departure from the presentational requirements of IAS 33.

The financial information has been prepared on the historical cost basis, except for the revaluation of certain financial instruments. The principal accounting policies adopted are set out below.

At the date of this prospectus, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

- IFRS 7 *Financial instruments: Disclosures*; and the related amendment to IAS 1 on capital disclosures
- IFRIC 4 *Determining whether an Arrangement contains a Lease*
- IFRIC 8 *Scope of IFRS 2*
- IFRIC 9 *Reassessment of embedded derivatives*
- IFRIC 10 *Interim reporting and impairments*

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group except for additional disclosures on capital and financial instruments when the relevant standards come into effect for periods commencing on or after 1 January 2007.

2. Significant accounting policies

Accounting policies as shown below have been consistently applied throughout the periods.

Basis of consolidation

The consolidated financial information incorporates the financial information for the Company and entities controlled by the Company (its subsidiaries). 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 period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Associated undertakings are accounted for using the equity method, and the Group income statement includes the appropriate share of those undertakings' results.

Where necessary, adjustments are made to the financial information 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.

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.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

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 gains or losses on sale of the Company's own shares held by the Hargreaves Lansdown EBT are credited directly to the EBT reserve and are treated as undistributable profits by Hargreaves Lansdown Plc.

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 1 July 2003 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 income is on a trade date basis. Where commission is received on an indemnity basis, a provision is made for clawbacks which would be due if the policy lapses.

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 after charging any restructuring costs and after the share of results of associates but before investment revenue and finance costs.

Retirement benefit costs

The Group operates a group personal pension plan for staff and a small self administered pension plan for the controlling directors. Payments to these defined contribution retirement benefit schemes 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. Additional directors' remuneration (note 6) has been charged in full in the period in which it has been awarded.

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 period. 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 periods 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 information 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 and reduced to the extent that it is no longer 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 period 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.

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.

Share based payments

The group has applied the requirements of IFRS 2 Share based Payment. For the purposes of this financial information IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested at 1 July 2003.

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 method. 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. As the Company's shares are not currently listed on a stock exchange and therefore no readily available market price exists for the shares, the share price has been based on the market value agreed with H M Revenue and Customs and share price volatility has been estimated as the average of the volatility applying to a comparable group of listed companies.

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.

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.

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
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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 re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

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 in debtors and creditors gross for their unsettled bought and sold transactions respectively.

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 listed investments have been classified as available-for-sale and as such those investments have been presented as current asset investments and included at fair value with the revaluation surplus reflected in the revaluation reserve as shown in note 24. The Group's unlisted available-for-sale investments are included at cost with a fair value adjustment recognised upon disposal of the investment. The Group's non-current investments represent investments in associated undertakings which are carried at a value equal to the Group's share of the net assets of the associates.

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.

3. Key sources of judgements and estimation uncertainty

The preparation of the financial information 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 information, 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 information, are discussed below.

Share based payments

As the Company's shares are not currently listed on a stock exchange and therefore no readily available market price exists for the shares, the share price has been based on the market value agreed with H M Revenue and Customs and share price volatility has been estimated as the average of the volatility experienced by a comparable group of listed companies. Once the Company's shares are admitted to the official list of the London Stock Exchange, the actual

share price and share price volatility relating to the Company's shares can be used to determine the share based payment expense and this may result in different assumptions being used in the calculation of share based payment expenses in future periods. The Company has been required to make various valuation assumptions in order to account for share based payments. These are explained fully in note 32.

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. Additional directors' remuneration (note 6) has been charged in full in the period in which it has been awarded.

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:

	<i>Year ended 30 June 2004 £'000</i>	<i>Year ended 30 June 2005 £'000</i>	<i>Year ended 30 June 2006 £'000</i>	<i>6 months ended 31 December 2005 Unaudited £'000</i>	<i>6 months ended 31 December 2006 £'000</i>
Revenue from services:					
Fees and commission income	37,430	45,182	66,132	29,616	37,759
Interest and similar income	2,589	3,457	5,063	1,899	3,721
	<u>40,019</u>	<u>48,639</u>	<u>71,195</u>	<u>31,515</u>	<u>41,480</u>
Other operating income	2,501	1,740	2,265	677	1,861
Total operating income	<u><u>42,520</u></u>	<u><u>50,379</u></u>	<u><u>73,460</u></u>	<u><u>32,192</u></u>	<u><u>43,341</u></u>

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 *IAS14 Segment Reporting*, the consolidated entity operates in one business segment. The principal activity of the Group is the provision of investment management products and services. As the Group only operates in one business segment, no additional business segmental analysis has been shown.

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

6. Profit for the period

Profit for the period has been arrived at after charging:

	<i>Year ended</i>	<i>Year ended</i>	<i>Year ended</i>	<i>6 months</i>	<i>6 months</i>
	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>	<i>ended</i>	<i>ended</i>
	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>31 December</i>	<i>31 December</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>2005</i>	<i>2006</i>
				<i>Unaudited</i>	
				<i>£'000</i>	<i>£'000</i>
Depreciation of owned plant and equipment	528	507	615	247	391
Depreciation of other intangible assets	109	70	59	30	42
Impairment of goodwill	—	104	13	—	—
Investment impairment loss	—	323	—	—	—
Operating lease rentals payable – property	496	502	585	235	317
Staff costs (see note 7)	21,347	21,015	47,667	12,758	15,394
	<u>21,347</u>	<u>21,015</u>	<u>47,667</u>	<u>12,758</u>	<u>15,394</u>

Exceptional items

	<i>Year ended</i>	<i>Year ended</i>	<i>Year ended</i>	<i>6 months</i>	<i>6 months</i>
	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>	<i>ended</i>	<i>ended</i>
	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>31 December</i>	<i>31 December</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>2005</i>	<i>2006</i>
				<i>Unaudited</i>	
				<i>£'000</i>	<i>£'000</i>
Exceptional administrative expenses comprise:					
– Additional directors' remuneration	3,903	451	19,627	—	—
– Flotation costs	—	—	—	—	336
	<u>3,903</u>	<u>451</u>	<u>19,627</u>	<u>—</u>	<u>336</u>

Exceptional items are those significant items that fall within the activities of the Group which are separately disclosed by virtue of their size or incidence to enable a full understanding of the Group's financial performance.

Flotation costs

Costs relating to the Company's proposed Admission to the London Stock Exchange comprise legal and professional fees of £336,000. No tax deduction is assumed for these costs.

Additional directors' remuneration

During March 2007 the Remuneration Committee agreed a remuneration policy for all directors of the Group which will apply following the proposed flotation of the Company (see note 33). The amount by which remuneration and associated national insurance costs paid to certain directors in prior periods has exceeded the maximum amounts which could be payable in future periods under this policy has been noted as an exceptional item as it is not expected to recur in future periods.

The analysis of auditors' remuneration is as follows:

	<i>Year ended 30 June 2004 £'000</i>	<i>Year ended 30 June 2005 £'000</i>	<i>Year ended 30 June 2006 £'000</i>	<i>6 months ended 31 December 2005 Unaudited £'000</i>	<i>6 months ended 31 December 2006 £'000</i>
Fees payable for the audit of the Group accounts and regulatory audit	59	60	64	37	38
Tax advisory services	—	—	2	2	11
Regulatory advice and assurance services	29	—	—	—	—
Corporate finance services	—	—	—	—	130
Other services	—	—	—	—	2
Total non-audit fees	29	—	2	2	143

7. Staff costs

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

	<i>Year ended 30 June 2004 No.</i>	<i>Year ended 30 June 2005 No.</i>	<i>Year ended 30 June 2006 No.</i>	<i>6 months ended 31 December 2005 Unaudited No.</i>	<i>6 months ended 31 December 2006 No.</i>
Operating and support functions	295	331	381	361	436
Administrative functions	91	100	132	125	154
	386	431	513	486	590
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Their aggregate remuneration comprised:					
Wages and salaries	18,832	18,614	41,787	11,385	13,352
Social security costs	2,210	2,081	4,877	1,289	1,499
Share based payments expense	7	8	661	4	441
Other pension costs	298	312	342	80	102
	21,347	21,015	47,667	12,758	15,394
Analysed as:					
Exceptional item (see note 6)	3,903	451	19,627	—	—
Staff costs excluding exceptional items	17,444	20,564	28,040	12,758	15,394
	21,347	21,015	47,667	12,758	15,394

The Group aims to attract, motivate and retain high calibre executives 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 executives 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

	<i>Year ended 30 June 2004 £'000</i>	<i>Year ended 30 June 2005 £'000</i>	<i>Year ended 30 June 2006 £'000</i>	<i>6 months ended 31 December 2005 Unaudited £'000</i>	<i>6 months ended 31 December 2006 £'000</i>
Interest on bank deposits	689	1,047	993	666	375
Dividends from equity investment	151	786	1,926	53	117
	<u>840</u>	<u>1,833</u>	<u>2,919</u>	<u>719</u>	<u>492</u>

9. Other gains and losses

	<i>Year ended 30 June 2004 £'000</i>	<i>Year ended 30 June 2005 £'000</i>	<i>Year ended 30 June 2006 £'000</i>	<i>6 months ended 31 December 2005 Unaudited £'000</i>	<i>6 months ended 31 December 2006 £'000</i>
Gain on disposal of associated undertaking	—	359	35	—	—
Gain on disposal of investments	—	—	—	—	3,196
Diminution in value of investment	—	(323)	—	—	—
	<u>—</u>	<u>36</u>	<u>35</u>	<u>—</u>	<u>3,196</u>

10. Tax

	<i>Year ended 30 June 2004 £'000</i>	<i>Year ended 30 June 2005 £'000</i>	<i>Year ended 30 June 2006 £'000</i>	<i>6 months ended 31 December 2005 Unaudited £'000</i>	<i>6 months ended 31 December 2006 £'000</i>
Current tax	1,619	4,044	2,385	3,286	6,604
Deferred tax (note 19)	257	128	(801)	(31)	(199)
	<u>1,876</u>	<u>4,172</u>	<u>1,584</u>	<u>3,255</u>	<u>6,405</u>

Corporation tax is calculated at 30% of the estimated assessable profit for the periods.

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

Profit before tax from continuing operations	<u>6,809</u>	<u>14,504</u>	<u>7,597</u>	<u>11,596</u>	<u>20,528</u>
Tax	2,043	4,351	2,279	3,479	6,159
– at the UK corporation tax rate of 30%	30%	30%	30%	30%	30%
Tax effect of share of results of associates	6	—	—	—	—
Disallowed/(non-taxable) items	(135)	(32)	(206)	(299)	214
Effect of adjustments in respect of prior periods	5	39	74	74	56
Utilisation of small company rate	(11)	(5)	(10)	(5)	—
Surplus trading losses of subsidiary	—	—	26	20	11
Use of consortia and other trading losses	(4)	(39)	—	—	—
Dividend income not subject to tax	(28)	(142)	(579)	(14)	(35)
Tax expense for the period	<u>1,876</u>	<u>4,172</u>	<u>1,584</u>	<u>3,255</u>	<u>6,405</u>
Effective tax rate	<u>28%</u>	<u>29%</u>	<u>21%</u>	<u>28%</u>	<u>31%</u>

It is expected that the ongoing effective tax rate will trend towards the standard UK corporation tax rate in the medium term. During the 6 months ended 31 December 2006 the effective tax rate has been above the current UK corporation tax rate of 30% due primarily to the effect of flotation costs as described in note 6.

In addition to the amount charged to the income statement, deferred tax relating to share based payments and to the revaluation of the Group's available for sale investments has been charged directly to equity as shown in note 19.

11. Dividends

	<i>Year ended</i> <i>30 June</i> <i>2004</i> <i>£'000</i>	<i>Year ended</i> <i>30 June</i> <i>2005</i> <i>£'000</i>	<i>Year ended</i> <i>30 June</i> <i>2006</i> <i>£'000</i>	<i>6 months</i> <i>ended</i> <i>31 December</i> <i>2005</i> <i>Unaudited</i> <i>£'000</i>	<i>6 months</i> <i>ended</i> <i>31 December</i> <i>2006</i> <i>£'000</i>
Amounts recognised as distributions to equity holders in the period:					
First interim dividend of 0.36p per share	1,635	1,667	1,560	—	—
Special interim dividend of 1.09p per share	—	—	4,727	—	—
Final dividend per share 2003: 0.36p (paid 2004), 2004: 0.18p (paid 2005), 2006: 0.36p	1,531	831	1,576	—	—
Total dividends paid	3,166	2,498	7,863	—	—
Proposed dividend in respect of the period to be paid in the following accounting period (pence per share)	0.18 pence	—	—	—	3.00 pence

Dividend per share figures are restated to reflect the share restructuring on 10 April 2007 as described in note 33.

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 (stated after the effects of the share reorganisation on 10 April 2007 described in note 33), has agreed to waive all dividends.

Number of ordinary shares held by the Hargreaves Lansdown Employee Benefit Trust	15,888,125	12,123,925	40,986,825	40,986,825	37,041,675
Representing % of called-up share capital	3.35%	2.56%	8.64%	8.64%	7.81%

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.

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

Adjusted earnings per share and adjusted diluted earnings per share is calculated as for basic and diluted earnings per share, but with the profit attributable to equity holders of the Company adjusted to be stated before exceptional items.

The weighted average number of ordinary shares used for the calculation of earnings per share has been adjusted to show the impact of the subdivision of each ordinary share of 10 pence into 25 ordinary shares of 0.4 pence and a 10 for 1 bonus issue which took place on 10 April 2007 as described in note 33.

The calculation of the basic and diluted earnings per share is based on the following data:

	<i>Year ended 30 June 2004 £'000</i>	<i>Year ended 30 June 2005 £'000</i>	<i>Year ended 30 June 2006 £'000</i>	<i>6 months ended 31 December 2005 Unaudited £'000</i>	<i>6 months ended 31 December 2006 £'000</i>
<i>Earnings (all from continuing operations)</i>					
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the parent	4,933	10,332	6,013	8,341	14,123
Exceptional administrative expenses	3,903	451	19,627	—	336
Tax on exceptional administrative expenses	(1,171)	(135)	(5,888)	—	—
Earnings for the purposes of adjusted basic and adjusted diluted earnings per share being net profit attributable to equity holders of the parent before exceptional items	<u>7,665</u>	<u>10,648</u>	<u>19,752</u>	<u>8,341</u>	<u>14,459</u>
<i>Number of shares</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>
Weighted average number of ordinary shares for the purposes of basic earnings per share	471,645,075	474,318,625	474,318,625	474,318,625	474,318,625
Effect of dilutive potential ordinary shares:					
Weighted average number of share options net of shares held by the Hargreaves Lansdown Employee Benefit Trust	<u>7,685,975</u>	<u>4,994,000</u>	<u>—</u>	<u>—</u>	<u>—</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>479,331,050</u>	<u>479,312,625</u>	<u>474,318,625</u>	<u>474,318,625</u>	<u>474,318,625</u>

13. Goodwill

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.

	<i>Year ended 30 June 2004 £'000</i>	<i>Year ended 30 June 2005 £'000</i>	<i>Year ended 30 June 2006 £'000</i>	<i>6 months ended 31 December 2006 £'000</i>
Cost				
At beginning of period	1,333	1,333	1,437	1,450
Recognised on acquisition of a subsidiary	—	104	13	—
At end of period	<u>1,333</u>	<u>1,437</u>	<u>1,450</u>	<u>1,450</u>
Accumulated impairment losses				
At beginning of period	—	—	104	117
Impairment losses for the period	—	104	13	—
At end of period	<u>—</u>	<u>104</u>	<u>117</u>	<u>117</u>
Carrying amount				
At end of period	<u>1,333</u>	<u>1,333</u>	<u>1,333</u>	<u>1,333</u>

14. Other intangible assets

	<i>Computer Software £'000</i>
Cost	
At 1 July 2003	1,409
Additions	<u>54</u>
At 30 June 2004	1,463
Additions	132
Write off of fully depreciated assets	<u>(294)</u>
At 30 June 2005	1,301
Additions	<u>16</u>
At 30 June 2006	1,317
Additions	<u>40</u>
At 31 December 2006	<u><u>1,357</u></u>

	<i>Computer Software £'000</i>
Amortisation	
At 1 July 2003	1,276
Charge	109
	<hr/>
At 30 June 2004	1,385
Charge	70
Write off of fully depreciated assets	(294)
	<hr/>
At 30 June 2005	1,161
Charge	59
	<hr/>
At 30 June 2006	1,220
Charge	42
	<hr/>
At 31 December 2006	1,262
	<hr/> <hr/>
Carrying amount	
At 30 June 2004	78
At 30 June 2005	140
At 30 June 2006	97
At 31 December 2006	95
	<hr/> <hr/>

15. Property, plant and equipment

	<i>Motor Vehicles £'000</i>	<i>Fixtures, fittings, plant and equipment £'000</i>	<i>Total £'000</i>
Cost or valuation			
At 1 July 2003	49	3,095	3,144
Additions	28	524	552
Disposals	(26)	—	(26)
	<hr/>	<hr/>	<hr/>
At 30 June 2004	51	3,619	3,670
Additions	24	751	775
Write off of fully depreciated assets	—	(1,421)	(1,421)
Disposals	(24)	—	(24)
	<hr/>	<hr/>	<hr/>
At 30 June 2005	51	2,949	3,000
Additions	—	830	830
	<hr/>	<hr/>	<hr/>
At 30 June 2006	51	3,779	3,830
Additions	—	902	902
	<hr/>	<hr/>	<hr/>
At 31 December 2006	51	4,681	4,732
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

	<i>Motor Vehicles £'000</i>	<i>Fixtures, fittings, plant and equipment £'000</i>	<i>Total £'000</i>
Accumulated depreciation and impairment			
At 1 July 2003	19	1,882	1,901
Charge	2	526	528
At 30 June 2004	21	2,408	2,429
Charge	10	497	507
Write off of fully depreciated assets	—	(1,421)	(1,421)
Eliminated on disposal	(19)	—	(19)
At 30 June 2005	12	1,484	1,496
Charge	8	607	615
At 30 June 2006	20	2,091	2,111
Charge	4	387	391
At 31 December 2006	24	2,478	2,502
Carrying amount			
At 30 June 2004	30	1,211	1,241
At 30 June 2005	39	1,465	1,504
At 30 June 2006	31	1,688	1,719
At 31 December 2006	27	2,203	2,230

16. Subsidiaries

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

<i>Name of company</i>	<i>Shares held</i>	<i>Nature of business</i>
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	100%	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

	30 June 2004 £'000	30 June 2005 £'000	30 June 2006 £'000	31 December 2006 £'000
<i>Available-for-sale investments</i>				
At beginning of period	8,357	8,849	9,243	13,352
Revaluation surplus/(deficit) transfer to equity (note 24)	544	778	4,104	1,904
Impairment loss charged to income statement	—	(323)	—	—
Net increase in the value of short term trading investments	6	26	68	—
Increase in former trade investment – elimination of subsidiary on consolidation	—	—	(13)	—
Share of loss of associated undertakings	(58)	—	—	—
Disposals	—	(87)	(50)	(4,465)
At end of period	8,849	9,243	13,352	10,791
Non-current	87	—	—	—
Current	8,762	9,243	13,352	10,791

Current asset available-for-sale investments include the following:

	30 June 2004 £'000	30 June 2005 £'000	30 June 2006 £'000	31 December 2006 £'000
<i>Available-for-sale investments</i>				
UK listed securities valued at quoted market price	6,271	7,078	11,248	10,049
Unlisted securities valued at cost	2,491	2,165	2,104	742
	8,762	9,243	13,352	10,791
Non-current asset available-for-sale investments include the following:				
Share of net assets of associated undertakings	87	—	—	—

During 2005 the Group acquired the remaining 60% of the share capital of Broker Focus Limited so that it became a wholly owned subsidiary. The goodwill arising on acquisition is shown in note 13. Prior to 2005, the Group owned 40% of Broker Focus Limited and classified the investment as an associated undertaking. Broker Focus Limited was a software development company which developed one of the core software systems used by the Group. It ceased trading during 2006.

During 2005 the Group disposed of an investment in Magic Breaks Limited, an associated company, resulting in a gain on disposal of the investment as shown in note 9.

The fair value of unlisted investments cannot be reliably measured due to the illiquid nature of the investment and absence of a readily available sale price. Unlisted investments are therefore carried at cost.

18. Other financial assets

	30 June 2004 £'000	30 June 2005 £'000	30 June 2006 £'000	31 December 2006 £'000
<i>Trade and other receivables</i>				
Trade receivables	19,540	28,742	39,693	44,515
Other receivables	2,310	1,166	792	2,198
Corporation tax debtor	—	—	1,914	—
Prepayments	3,073	3,346	5,676	4,480
	<u>24,923</u>	<u>33,254</u>	<u>48,075</u>	<u>51,193</u>
	30 June 2004 £'000	30 June 2005 £'000	30 June 2006 £'000	31 December 2006 £'000
<i>Cash and cash equivalents</i>				
Cash and cash equivalents	21,990	32,147	13,745	33,658
Comprising:				
Restricted cash – client settlement account balances	1,138	2,824	4,393	6,164
Group cash and cash equivalent balances	<u>20,852</u>	<u>29,323</u>	<u>9,352</u>	<u>27,494</u>

Cash and cash equivalents comprise cash held by the Group and institutional cash funds with near-instant access. The carrying amount of these assets approximates their fair value. Included in cash and cash equivalents are amounts of cash held on client settlement accounts as shown above.

Financial risk management

Hargreaves Lansdown's financial risk management is based upon sound economic objectives and good corporate practice. No hedging transactions have taken place during the periods presented.

Credit risk

The Group's principal financial assets are bank balances and cash, trade and other receivables and investments.

The Group's credit risk is primarily attributable to its trade receivables. 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.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. The Group has implemented procedures that require appropriate credit or alternative checks on potential customers before business is undertaken. Financial Instrument counterparties are subject to pre-approval by the Board and such approval is limited to financial institutions with a long term rating of AA- or better. The amount of individual counterparty exposure is subject to a limit which is reassessed annually by the Board.

Interest rate risk

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 in the relevant currency. Short term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group and earn interest at the respective short term deposit rates.

Foreign exchange translation and transaction risk

With substantially all of the Group's businesses located within the UK, and therefore with minimal net assets and transactions 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.

Price risk

The Group is exposed to equity security price risk on investments held by the Group. As a main source of income is based on the value of client assets held, the Group is also exposed to security price risk on investments held by clients.

Liquidity risk

The Group actively maintains cash balances on short term deposit to ensure that the Group has sufficient available funds for operations.

Carrying amount and fair value

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 that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.

19. Deferred tax

Deferred tax assets have not been offset with deferred tax liabilities due to the expectation that the balances will reverse in different accounting periods, hence the deferred tax provision is reported separately as shown below:

	<i>30 June</i> <i>2004</i> <i>£'000</i>	<i>30 June</i> <i>2005</i> <i>£'000</i>	<i>30 June</i> <i>2006</i> <i>£'000</i>	<i>31 December</i> <i>2006</i> <i>£'000</i>
<i>Trade and other receivables</i>				
Deferred tax liabilities	(1,781)	(2,042)	(2,882)	(2,484)
Deferred tax assets	398	353	820	2,300
Net deferred tax asset/(liability)	<u>(1,383)</u>	<u>(1,689)</u>	<u>(2,062)</u>	<u>(184)</u>

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior reporting period.

	<i>Accelerated tax depreciation</i> £'000	<i>Revaluation of available for sale investments</i> £'000	<i>Share based payment</i> £'000	<i>Other deductible temporary differences</i> £'000	<i>Total</i> £'000
At 1 July 2003	(167)	1,291	—	1	1,125
Charge/(credit) to income	(79)	—	(2)	338	257
Charge/(credit) to equity	—	151	(150)	—	1
At 30 June 2004	(246)	1,442	(152)	339	1,383
Charge/(credit) to income	91	—	(2)	39	128
Charge/(credit) to equity	—	222	(44)	—	178
At 30 June 2005	(155)	1,664	(198)	378	1,689
Charge/(credit) to income	(4)	—	(197)	(600)	(801)
Charge/(credit) to equity	—	1,218	(44)	—	1,174
As 30 June 2006	(159)	2,882	(439)	(222)	2,062
Recycled from equity to income	—	(960)	—	—	(960)
Charge/(credit) to income	(52)	—	(128)	(18)	(198)
Charge/(credit) to equity	—	562	(1,282)	—	(720)
As 31 December 2006	(211)	2,484	(1,849)	(240)	184

20. Other financial liabilities

	<i>30 June 2004</i> £'000	<i>30 June 2005</i> £'000	<i>30 June 2006</i> £'000	<i>31 December 2006</i> £'000
<i>Trade and other payables</i>				
Current payables				
Trade payables	17,296	28,132	37,321	41,950
Social security and other taxes	2,335	2,113	3,632	2,556
Other payables	7,505	5,604	14,431	15,869
Accruals and deferred income	1,846	1,631	2,226	1,342
	<u>28,982</u>	<u>37,480</u>	<u>57,610</u>	<u>61,717</u>
Non-current payables				
Other payables	<u>389</u>	<u>509</u>	<u>665</u>	<u>193</u>

Trade payables, accruals and other payables principally comprise amounts outstanding for trade purchases and ongoing costs.

21. Provisions

	<i>Commission on indemnity terms £'000</i>
<i>Included within non-current liabilities:</i>	
At 1 July 2003	328
Charged/(utilised) during period	(110)
At 30 June 2004	218
Charged/(utilised) during period	70
At 30 June 2005	288
Charged/(utilised) during period	227
At 30 June 2006	515
Charged/(utilised) during period	(70)
At 31 December 2006	445

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

22. Share capital

	<i>30 June 2004 £'000</i>	<i>30 June 2005 £'000</i>	<i>30 June 2006 £'000</i>	<i>31 December 2006 £'000</i>
Authorised:				
2,500,000 ordinary shares of 10p each	250	250	250	250
Ordinary shares of 10p each issued and fully paid:				
Balance at beginning of period	170	172	172	172
Issue of ordinary shares	2	—	—	—
Balance at end of period	172	172	172	172
	<i>Shares</i>	<i>Shares</i>	<i>Shares</i>	<i>Shares</i>
Issued and fully paid ordinary shares of 10p each:				
Balance at beginning of period	1,700,939	1,720,383	1,724,795	1,724,795
Number of ordinary shares issued	19,444	4,412	—	—
Balance at end of period	1,720,383	1,724,795	1,724,795	1,724,795

The Company has one class of ordinary shares which carry no right to fixed income. During the financial year ended 30 June 2004 the Company issued 19,444 ordinary 10p shares for consideration of £349,000 and 4,412 shares for consideration of £85,000 during the financial year ended 30 June 2005.

Since 31 December 2006, a bonus issue of 10 shares for every 1 share has taken place following a sub-division of the ordinary shares of 10 pence each into 25 ordinary shares of 0.4 pence each. The revised share capital is described in note 33.

23. Share premium account

	<i>Year ended 30 June 2004 £'000</i>	<i>Year ended 30 June 2005 £'000</i>	<i>Year ended 30 June 2006 £'000</i>	<i>6 months ended 31 December 2006 £'000</i>
Balance at beginning of period	1,301	1,648	1,733	1,733
Premium on issue of shares	347	85	—	—
Balance at end of period	<u>1,648</u>	<u>1,733</u>	<u>1,733</u>	<u>1,733</u>

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

24. Investment revaluation reserve

	<i>Year ended 30 June 2004 £'000</i>	<i>Year ended 30 June 2005 £'000</i>	<i>Year ended 30 June 2006 £'000</i>	<i>6 months ended 31 December 2006 £'000</i>
Balance at beginning of period	3,314	3,707	4,263	7,149
Increase in fair value of available-for-sale investments	544	778	4,104	1,904
Deferred tax effect of increase in fair value of available-for-sale investments	(151)	(222)	(1,218)	(562)
Disposal of available-for-sale investments	—	—	—	(3,196)
Tax on disposal of available-for-sale investments	—	—	—	960
Balance at end of period	<u>3,707</u>	<u>4,263</u>	<u>7,149</u>	<u>6,255</u>

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

25. Capital redemption reserve

	<i>Year ended 30 June 2004 £'000</i>	<i>Year ended 30 June 2005 £'000</i>	<i>Year ended 30 June 2006 £'000</i>	<i>6 months ended 31 December 2006 £'000</i>
Balance at beginning and at end of period	<u>12</u>	<u>12</u>	<u>12</u>	<u>12</u>

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

26. Shares held by Employee Benefit Trust reserve

	<i>Year ended 30 June 2004 £'000</i>	<i>Year ended 30 June 2005 £'000</i>	<i>Year ended 30 June 2006 £'000</i>	<i>6 months ended 31 December 2006 £'000</i>
Balance at beginning of period	(584)	(489)	(469)	(19,809)
Shares acquired in the period	—	(105)	(19,667)	(12)
Shares sold on exercise of options	95	125	327	1,621
Balance at end of period	<u>(489)</u>	<u>(469)</u>	<u>(19,809)</u>	<u>(18,200)</u>

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 options schemes (see note 32).

27. EBT reserve

	<i>Year ended 30 June 2004 £'000</i>	<i>Year ended 30 June 2005 £'000</i>	<i>Year ended 30 June 2006 £'000</i>	<i>6 months ended 31 December 2006 £'000</i>
Balance at beginning of period	—	—	—	(63)
Gain/(loss) on sale of shares by EBT	—	—	(63)	11
Balance at end of period	—	—	(63)	(52)

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

	<i>Year ended 30 June 2004 £'000</i>	<i>Year ended 30 June 2005 £'000</i>	<i>Year ended 30 June 2006 £'000</i>	<i>6 months ended 31 December 2006 £'000</i>
Balance at beginning of period	—	157	209	914
Share based payments expense	7	8	661	441
Deferred tax effect of share based payments	150	44	44	1,282
Balance at end of period	157	209	914	2,637

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

29. Retained earnings

	<i>Year ended 30 June 2004 £'000</i>	<i>Year ended 30 June 2005 £'000</i>	<i>Year ended 30 June 2006 £'000</i>	<i>6 months ended 31 December 2006 £'000</i>
Balance at beginning of period	19,610	21,377	29,211	27,361
Dividends paid	(3,166)	(2,498)	(7,863)	—
Net profit for the period	4,933	10,332	6,013	14,123
Balance at end of period	21,377	29,211	27,361	41,484

30. Notes to the cash flow statement

	<i>Year ended 30 June 2004 £'000</i>	<i>Year ended 30 June 2005 £'000</i>	<i>Year ended 30 June 2006 £'000</i>	<i>6 months ended 31 December 2005 Unaudited £'000</i>	<i>6 months ended 31 December 2006 £'000</i>
Profit for the period after tax	4,933	10,332	6,013	8,341	14,123
Adjustments for:					
Share of profit of associates	57	3	—	—	—
Investment revenues	(840)	(1,833)	(2,919)	(719)	(492)
Other gains and losses	—	(36)	(35)	—	(3,196)
Income tax expense	1,876	4,172	1,584	3,255	6,405
Depreciation of plant and equipment	528	507	615	247	391
Depreciation of intangible assets	109	70	59	30	42
Impairment of goodwill	—	104	13	—	—
Share based payment expense	7	8	661	4	441
Increase/(decrease) in provisions	(110)	70	227	—	(70)
Operating cash flows before movements in working capital	6,560	13,397	6,218	11,158	17,644
Decrease/(increase) in receivables	(8,895)	(8,289)	(12,904)	9,627	(3,313)
Increase/(decrease) in payables	14,128	8,498	20,284	(14,173)	3,581
Cash generated by operations	11,793	13,606	13,598	6,612	17,912
Income taxes paid	(1,719)	(2,381)	(6,822)	(2,527)	(1,970)
Net cash from operating activities	10,074	11,225	6,776	4,085	15,942

31. Operating lease arrangements

	<i>Year ended 30 June 2004 £'000</i>	<i>Year ended 30 June 2005 £'000</i>	<i>Year ended 30 June 2006 £'000</i>	<i>6 months ended 31 December 2005 Unaudited £'000</i>	<i>6 months ended 31 December 2006 £'000</i>
<i>The Group as lessee</i>					
Minimum lease payments under operating leases recognised as an expense in the period	496	502	585	235	317

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

Within one year	482	447	618	687	687
In the second to fifth years inclusive	556	556	636	1,257	515
After five years	156	17	—	—	—
Total minimum lease payments	1,194	1,020	1,254	1,944	1,202

Operating lease payments represent rentals payable by the Group for certain of its office properties. The Group leases various offices under non-cancellable operating lease agreements. The leases have varying terms, escalation values and renewal rights.

32. Share based payments

Equity-settled share option scheme

The Group seeks to facilitate significant equity ownership by senior management, principally through schemes which encourage and assist the purchase of the Group's shares.

The Group operates three share option plans: the 1999 Employee Savings-Related Share Option Scheme ("SAYE"), the Hargreaves Lansdown Plc Share Incentive Plan ("SIP"), and the Hargreaves Lansdown Company Share Option (2000) Scheme (the "Executive Option Scheme").

Options granted under the Employee SAYE scheme vest over five years. Awards granted under the Employee Share Incentive Plan vest over a three-year period. Options granted under the Executive Option Scheme vest between nil and ten years. Options are exercisable at a price equal to the HMRC approved market value of the Company's shares on the date of grant. 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 2003. They have not been applied to any grants made prior to 7 November 2002.

The share options and share awards outstanding during the periods presented have been restated to reflect the share restructuring on 10 April 2007 as described in note 33, and are as follows:

	30 June 2004		30 June 2005		30 June 2006		31 December 2006	
	Share options No.	Weighted average exercise price (pence)	Share options No.	Weighted average exercise price (pence)	Share options No.	Weighted average exercise price (pence)	Share options No.	Weighted average exercise price (pence)
SIP								
Outstanding at beginning of period	—	—	—	—	—	—	—	—
Granted during the period	—	—	—	—	—	—	983,950	23.5
Forfeited during the period	—	—	—	—	—	—	(10,175)	23.5
Outstanding at the end of the period	—	—	—	—	—	—	973,775	23.5
Exercisable at the end of the period	—	—	—	—	—	—	—	—
SAYE								
Outstanding at beginning of period	22,902,825	3.2	18,050,725	3.4	12,661,825	3.6	7,679,375	3.6
Forfeited during the period	(1,008,975)	2.5	(857,175)	2.7	(752,125)	3.6	—	—
Exercised during the period	(3,843,125)	2.5	(4,531,725)	2.7	(4,230,325)	3.6	—	—
Outstanding at the end of the period	18,050,725	3.4	12,661,825	3.6	7,679,375	3.6	7,679,375	3.6
Exercisable at the end of the period	—	—	—	—	—	—	—	—

	30 June 2004		30 June 2005		30 June 2006		31 December 2006	
	Share options No.	Weighted average exercise price (pence)	Share options No.	Weighted average exercise price (pence)	Share options No.	Weighted average exercise price (pence)	Share options No.	Weighted average exercise price (pence)
Executive Option Scheme								
Outstanding at beginning of period	5,775,000	3.6	4,262,500	3.6	2,887,500	3.6	6,875,000	54.5
Granted during the period	—	—	663,300	8.7	6,875,000	54.5	6,600,000	63.6
Forfeited during the period	—	—	(825,000)	3.6	—	—	—	—
Exercised during the period	(1,512,500)	3.6	(1,213,300)	7.0	(2,887,500)	3.6	(3,011,250)	55.3
Outstanding at the end of the period	4,262,500	3.6	2,887,500	3.6	6,875,000	54.5	10,463,750	60.0
Exercisable at the end of the period	4,262,500	3.6	2,887,500	3.6	6,875,000	54.5	10,463,750	60.0

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

Option exercise price range (pence)	30 June 2004		30 June 2005		30 June 2006		31 December 2006	
	Share options No.	Weighted average expected remaining life	Share options No.	Weighted average expected remaining life	Share options No.	Weighted average expected remaining life	Share options No.	Weighted average expected remaining life
2.7 to 3.6	22,313,225	2.0 years	15,549,325	1.7 years	7,679,375	1.5 years	7,679,375	1.0 years
23.5	—	—	—	—	—	—	973,775	2.8 years
54.5	—	—	—	—	6,875,000	2.0 years	3,863,750	2.2 years
63.6	—	—	—	—	—	—	6,600,000	1.4 years
	22,313,225	2.0 years	15,549,325	1.7 years	14,554,375	1.7 years	19,116,900	1.5 years

The fair value at the date of grant of options awarded during the period has been estimated by the Black Scholes methodology. The principal assumptions required by the methodology were as follows:

	30 June 2004 £'000	30 June 2005 £'000	30 June 2006 £'000	31 December 2006 £'000
Weighted average share price (pence)	8.7	8.7	23.5	54.5
SAYE				
Weighted average exercise price (pence)	3.4	3.6	3.6	3.6
Expected volatility	32%	32%	32%	32%
Expected life	2.2 years	1.9 years	1.5 years	1 year
Risk-free rate	5.00%	5.00%	5.00%	5.00%
Expected dividend yields	3.00%	3.00%	3.00%	3.00%
Executive scheme				
Weighted average exercise price (pence)	3.6	3.6	54.5	60.0
Expected volatility	32%	32%	32%	32%
Expected life	1.1 years	1.2 years	1.7 years	1.7 years
Risk-free rate	5.00%	5.00%	5.00%	5.00%
Expected dividend yields	3.00%	3.00%	3.00%	3.00%
SIP				
Weighted average exercise price (pence)	—	—	23.5	23.5
Expected volatility	—	—	32%	32%
Expected life	—	—	2.8 years	2.8 years
Risk-free rate	—	—	5.00%	5.00%
Expected dividend yields	—	—	3.00%	3.00%

As the Company's shares are not currently listed on a stock exchange and therefore no readily available market price exists for the shares, the share price has been based on the market value agreed with H M Revenue and Customs using an earnings multiples approach based on comparable quoted companies. Share price volatility has been estimated as the average of the volatility experienced by a comparable group of quoted companies. Once the Company's shares are admitted to the official list of the London Stock Exchange, the actual share price and share price volatility relating to the Company's shares can be used to determine the share based payment expense and this may result in an adjustment to the level of expense. 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.

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

Share options

On 6 March 2007, 18,330 share options were granted to staff under the Group's SAYE scheme. The Hargreaves Lansdown Employee Benefit Trust holds sufficient shares to satisfy these options. On 10 April 2007, following the share reorganisation referred to below, the 18,330 options relating to ordinary shares of 10 pence each were converted into 5,040,750 options over shares of 0.4 pence each.

Dividend

On 26 April 2007 an interim dividend of 3.0 pence per share, totalling a payment of £13,298,571 (after allowance for the Hargreaves Lansdown Employee Benefit Trust dividend waiver described in note 11), was declared by the Board to be paid on 21 May 2007 to shareholders registered as at 1 May 2007.

Bonuses

On 5 April 2007, bonuses totalling £25 million (total cost £28,200,000 including national insurance) were awarded to certain executive directors and senior managers.

Disposal of investments

Between 23 January 2007 and 23 February 2007 the Group disposed of further available-for-sale investments realising a gain before tax of £6,472,000.

New articles of association

On 10 April 2007 new articles of association of the Company were adopted replacing the articles adopted on 30 January 2007.

Increase in authorised share capital

On 10 April 2007 the authorised share capital of the Company was increased from £250,000 to £2,100,000 by the creation of 462,500,000 additional ordinary shares of 0.4 pence each, each ranking *pari passu* in all respects with the existing ordinary shares of 0.4 pence each in the capital of the Company.

Share reorganisation

On 10 April 2007 the share capital of the Company was sub-divided such that each ordinary share of 10 pence each was sub-divided into 25 ordinary shares of 0.4 pence each. On that date £1,724,795 of the amount standing to the credit of the share premium account of the Company was applied in paying up in full new ordinary shares of 0.4 pence each allotted at par as fully paid up and was distributed to the holders of the ordinary shares in the capital of the Company on the register of members at the close of business on 9 April 2007 on the basis of ten new ordinary shares of 0.4 pence each for each existing ordinary share of 0.4 pence each then held by them respectively. The new ordinary shares rank in all respects *pari passu* with the existing issued ordinary shares of 0.4 pence each in the capital of the Company. Following the capitalisation issue each shareholder holds 275 shares for every one previously held and total issued share capital comprises 474,318,625 ordinary shares of 0.4 pence each.

Flotation

On 16 April 2007 the Company announced the intention to proceed with an initial public offering (the "Offer") of its shares and, on application, to be admitted to the Official List of the Financial Services Authority and to trading on the London Stock Exchange plc's main market for listed securities. The Offer will comprise approximately 25% of the existing ordinary share capital of the Company, which includes 12,738,340 ordinary shares of 0.4 pence each to be sold by the Trustee of the Hargreaves Lansdown Employee Benefit Trust.

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. Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Trading transactions

The Group entered into the following transactions with directors and related parties who are not members of the Group:

During the financial years ended 30 June 2004, 30 June 2005, 30 June 2006 and the 6 months ending 31 December 2005 and 31 December 2006 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 period end.

During the financial years ended 30 June 2004, 30 June 2005, 30 June 2006 and the 6 months ending 31 December 2005 and 31 December 2006 the Group has provided a range of investment services to shareholders, directors and staff on normal third party business terms.

During the year ended 30 June 2004 the Group purchased software development and annual software licenses from Broker Focus Limited, which was an associated undertaking at that time, in the ordinary course of business at a cost of £368,000. At 30 June 2004, £53,000 was owed by

Broker Focus Limited to Hargreaves Lansdown Asset Management Limited. The Company also continued a secured interest-free long-term loan of €100,000 to Mr S McGuirk who was a director and shareholder of Broker Focus Limited, an associated undertaking. £63,000 was outstanding at 30 June 2004.

During the year ended 30 June 2005, subject to certain conditions the Company agreed to waive a secured interest-free long-term loan of €100,000 to Mr S McGuirk who was a director and shareholder of Broker Focus Limited, a subsidiary undertaking.

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 or a Senior Manager during the relevant period shown below, is set out below in aggregate for each of the categories specified in IAS 24 *Related Party Disclosures*.

	<i>Year ended 30 June 2004 £'000</i>	<i>Year ended 30 June 2005 £'000</i>	<i>Year ended 30 June 2006 £'000</i>	<i>6 months ended 31 December 2005 Unaudited £'000</i>	<i>6 months ended 31 December 2006 £'000</i>
Short-term employee benefits	7,947	4,644	22,041	2,215	2,223
Post-employment benefits – defined contribution pension costs	187	190	189	10	10
Share based payment	1	1	654	1	318
	<u>8,135</u>	<u>4,835</u>	<u>22,884</u>	<u>2,226</u>	<u>2,551</u>

Included within the above are the following amounts relating to the Board who were directors of the Company during the relevant period shown below:

	<i>Year ended 30 June 2004 £'000</i>	<i>Year ended 30 June 2005 £'000</i>	<i>Year ended 30 June 2006 £'000</i>	<i>6 months ended 31 December 2005 Unaudited £'000</i>	<i>6 months ended 31 December 2006 £'000</i>
Wages and salaries, excluding national insurance costs	2,779	2,603	3,558	1,198	1,293
Bonus payments (see note 6), excluding national insurance costs	3,461	400	17,400	—	—
Pension contributions	181	181	185	4	6
Share based payment	1	1	654	1	157
	<u>6,422</u>	<u>3,185</u>	<u>21,797</u>	<u>1,203</u>	<u>1,456</u>
Emoluments of the highest paid director	2,642	1,644	9,135	350	350
Pension contributions of the highest paid director	123	123	123	—	—
Number of directors who were members of money purchase pension schemes	<u>6</u>	<u>6</u>	<u>8</u>	<u>7</u>	<u>8</u>

Section B - Accountant's Report



The Board of Directors
on behalf of Hargreaves Lansdown Plc
Kendal House
4 Brighton Mews
Clifton
Bristol
BS8 2NX

Citigroup Global Markets Limited
Citigroup Centre
33 Canada Square
Canary Wharf
London
E14 5LB

30 April 2007

Dear Sirs

Hargreaves Lansdown Plc

We report on the financial information set out in section A of Part VI ("Financial Information on the Group") of the Prospectus dated 30 April 2007 of Hargreaves Lansdown Plc (the "Company" and, together with its subsidiaries, the "Group") (the "Prospectus"). This financial information has been prepared for inclusion in the Prospectus on the basis of the accounting policies set out in note 1 to the financial information. This report is required by Annex I item 20.1 of Commission Regulation (EC) No 809/2004 (the "Prospectus Directive Regulation") and is given for the purpose of complying with that requirement and for no other purpose.

Responsibilities

The Directors of the Company are responsible for preparing the financial information on the basis of preparation set out in note 1.

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the Prospectus, and to report our opinion to you.

Save for any responsibility arising under Prospectus Rule 5.5.3R(2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in accordance with this report or our statement, required by and given solely for the purposes of complying with Annex I item 23.1 of the Prospectus Directive Regulation, consenting to its inclusion in the Prospectus.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work 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 financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Prospectus, a true and fair view of the state of affairs of the Group as at the dates stated and of its profits, cash flows and changes in equity for the periods then ended in accordance with the basis of preparation set out in note 1.

This report does not cover, and we express no opinion on, the financial information for the six month period ended 31 December 2005 set out in the financial information which is marked unaudited.

Declaration

For the purposes of Prospectus Rule 5.5.3R(2)(f) we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with Annex I item 1.2 of the Prospectus Directive Regulation.

Yours faithfully

A handwritten signature in cursive script that reads "Deloitte & Touche LLP". The signature is written in dark ink and is positioned above a thin horizontal line.

Deloitte & Touche LLP
Chartered Accountants

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Part VII

Details of the Offer

1 SUMMARY OF THE OFFER

- 1.1 By way of the Offer, which is subject to certain conditions including the determination of the Offer Price and the entering into of a pricing memorandum in accordance with the terms of the Sponsorship and Underwriting Agreement (further details of which are set out in paragraph 19.7 of Part X (“Additional Information”) of this document), 118,579,725 Ordinary Shares will be offered for sale by the Selling Shareholders. The Company is able to require a minimum allocation of up to 39,526,575 Offer Shares for the Qualifying Offer.

Citi is the sole global co-ordinator of the Offer. The Offer comprises the Institutional Offer and the Qualifying Offer.

The Institutional Offer is being made by way of an offering of Offer Shares in the United Kingdom and elsewhere outside the United States to certain institutional investors in reliance on Regulation S. The Underwriters are underwriting the Institutional Offer subject to the terms and conditions of the Sponsorship and Underwriting Agreement which is summarised below.

The Qualifying Offer is an offer of the Offer Shares to Qualifying Clients and Qualifying Employees.

Under the Offer, all Offer Shares will be sold at the Offer Price, which will be determined by Citi (following consultation with the Company, Peter Hargreaves and Stephen Lansdown). It is currently expected that the Offer Price will be within the Indicative Offer Price Range. There is no assurance, however, that the actual Offer Price, when determined, will be within this range.

Citi, following consultation with the Company (and subject to the ability of the Company to require a minimum allocation of up to 39,526,575 Offer Shares for the Qualifying Offer), will determine the allocation between the Institutional Offer and the Qualifying Offer. The Company, following consultation with Citi, will decide the allocation among Qualifying Clients and Qualifying Employees under the Qualifying Offer and shall have discretion to scale back Applications under the Qualifying Offer as it deems appropriate. The Company will have absolute discretion to determine eligibility under the Qualifying Offer. Applicants in the Qualifying Offer must have opened a Vantage Fund and Share Account and applicants who do not have such an account will be required to open one before submitting an Application. Applicants in the Qualifying Offer should follow the Application Procedure on the Website, further details of which are set out in Part VIII (“Terms and Conditions of Application for the Qualifying Offer”), and submit their Application in accordance with the Application Procedure as soon as possible and, in any event, by 5.00 p.m. on 11 May 2007. Applications may not be made by post. **APPLICANTS ARE URGED TO SUBMIT THEIR APPLICATIONS AT THE EARLIEST OPPORTUNITY.** There is no guarantee that applicants will receive all of the Offer Shares for which they apply and it is possible that they may not receive any.

The Offer Price will not be known until after the last date for the receipt of bids from institutional investors and may be set at a price which is lower or higher than the Indicative Offer Price Range set out at the beginning of this document. Among the factors which may be considered in determining the Offer Price are the prevailing market conditions, the level and nature of demand for Offer Shares, the prices bid under the Institutional Offer and the objective of encouraging a market in the Ordinary Shares following Admission. Applications received in respect of the Qualifying Offer are irrevocable and based on the amount the applicant wishes to invest and not a number of Offer Shares or the Offer Price. Applications, once received, cannot be withdrawn if there is a change to the Indicative Offer Price Range or if the Offer Price is set above or below this range, unless, by reason of the materiality of such change or the extent of deviation from such range, a supplementary prospectus is required to be published in accordance with Section 87G FSMA, on the basis set out below. Following determination of the Offer Price, a pricing supplement will be published setting out *inter alia*, the Offer Price. Announcement of the Offer Price and publication of the pricing supplement is expected to take place on 15 May 2007 by way of an announcement through a Regulated Information Service (as defined in the FSA Rules) and via the Website. No fractions of Ordinary Shares will be allocated under the Offer or any part thereof and the monies referable to any such fractional entitlements will be retained in the applicant’s Vantage Fund and Share Account.

There can be no assurance that a regular trading market for Ordinary Shares will be sustained. The prices at which Ordinary Shares will be bought and sold on the public market after the Offer may be lower than the Offer Price.

If the Company is required to publish a supplementary prospectus pursuant to Section 87G FSMA and Prospectus Rule 3.4.1, applicants who have applied to buy Offer Shares shall have at least two clear business days following the publication of such supplementary prospectus within which to withdraw their offer to buy Offer Shares. If the Application is not withdrawn within the stipulated period, any offer to buy Offer Shares pursuant to the Offer will remain valid and binding. Details of how to withdraw an Application if a supplementary prospectus is published will be set out in the supplementary prospectus available on the Website or at the registered office of the Company.

Admission is expected to take place and unconditional dealings in the Ordinary Shares are expected to commence on the London Stock Exchange on 18 May 2007. Prior to that time, it is expected that dealings in the Ordinary Shares will commence on a conditional basis on the London Stock Exchange on 15 May 2007 and that the earliest date for settlement of such dealings will be 18 May 2007. These times and dates may be changed. All dealings in the Ordinary Shares before the commencement of unconditional dealings will be of no effect if Admission does not take place and such dealings will be at the sole risk of the parties concerned.

Further details of the Offer are set out below.

2 THE INSTITUTIONAL OFFER

- 2.1 The Institutional Offer comprises an offer of Ordinary Shares in the United Kingdom and elsewhere outside the United States to institutional investors in reliance on Regulation S. The Underwriters are soliciting from prospective eligible investors indications of interest in acquiring Ordinary Shares in the Institutional Offer. Prospective eligible investors will be required to specify the number of Offer Shares which they would be prepared to acquire at different levels of the Indicative Offer Price Range. Allocations of Offer Shares under the Institutional Offer will be determined by Citi after indications of interest from prospective investors have been received.

3 THE QUALIFYING OFFER

- 3.1 The Qualifying Offer is an offer to Qualifying Clients and Qualifying Employees.

Applications for Offer Shares in the Qualifying Offer must be made via the online Application Procedure referred to in this document on or before 5.00 p.m. on 11 May 2007. All Ordinary Shares for which Applications are wholly or partly accepted will be sold at the Offer Price (which may be within, above or below the Indicative Offer Price Range). By submitting an Application, applicants will be irrevocably committing to acquire Offer Shares at the Offer Price whether it is within, above or below the Indicative Offer Price Range. If an Application is accepted in part, the balance of monies paid on that Application will be retained in the applicant's Vantage Fund and Share Account. Any such cash balances will be administered in accordance with the terms and conditions of the Vantage Fund and Share Account.

The terms and conditions of the Qualifying Offer are set out in Part VIII ("Terms and Conditions of Application for the Qualifying Offer") of this document.

Qualifying Clients and Qualifying Employees may only apply for Offer Shares online using the Application Procedure available through the Website.

In order to apply for Offer Shares in the Qualifying Offer, Qualifying Clients and Qualifying Employees must complete the Application Procedure (carefully following the instructions set out on the Website) and submit it online in accordance with the instructions thereon as soon as possible. Applications may not be made by post. In all cases, completed Applications must be received by no later than 5.00 p.m. on 11 May 2007. Applications must not be altered in any way as this may result in the Application for Offer Shares being rejected in whole or in part. No acknowledgement of Applications will be given. Not more than one Application per person may be made.

APPLICANTS ARE URGED TO SUBMIT THEIR APPLICATIONS AT THE EARLIEST OPPORTUNITY. There is no guarantee that applicants will receive all of the Offer Shares for which they apply and it is possible that they may not receive any.

Applications must be for a minimum of £5,000 worth of Offer Shares (or, in the case of Qualifying Employees for a minimum of £1,000 worth of Offer Shares). Applications above £5,000 must be in multiples of £5,000 (and Applications from Qualifying Employees above £1,000 must be in multiples of £1,000 and, above £10,000, in multiples of £5,000), subject in each case to a maximum of £25,000. If the Offer is over-subscribed, Applications under the Qualifying Offer may be subject to scaling back or a ballot, subject always to the discretion of the Company to scale back Applications in aggregate or in individual circumstances as it deems appropriate. Qualifying Clients and Qualifying Employees may not receive all of the Offer Shares they apply for and it is possible that they may not receive any.

4 PRICING AND ALLOCATION

- 4.1 All Offer Shares sold pursuant to the Offer will be sold at the Offer Price. The Offer Price is expected to be announced on 15 May 2007.

Following Admission, the rights attaching to the Ordinary Shares will be uniform in all respects and they will form a single class for all purposes.

It is currently expected that the Offer Price will be within the Indicative Offer Price Range, but it may be set above or below this range. Among the factors which may be considered in determining the Offer Price are the prevailing market conditions, the level and nature of demand for Offer Shares, the prices bid under the Institutional Offer and the objective of encouraging a market in the Ordinary Shares following Admission. The Offer Price will be determined by Citi, following consultation with the Company, Peter Hargreaves and Stephen Lansdown. Following determination of the Offer Price, a pricing supplement will be published setting out, *inter alia*, the Offer Price. Applications received in respect of the Qualifying Offer are irrevocable and are based on the amount the applicant wishes to invest and not a number of Offer Shares or the Offer Price. Applications, once received, cannot be withdrawn if there is a change to the Indicative Offer Price Range or if the Offer Price is set above or below this range, unless, by reason of the materiality of such change or the extent of deviation from such range, a supplementary prospectus is required to be published in accordance with Section 87G FSMA. Further details in respect of supplementary prospectuses can be found in paragraph 1.1 of this Part VII.

- 4.2 Citi, following consultation with the Company (and subject to the ability of the Company to require a minimum allocation of up to 39,526,575 Offer Shares for the Qualifying Offer), will determine the allocation between the Institutional Offer and the Qualifying Offer. The Company, following consultation with Citi, will determine the allocation among Qualifying Clients and Qualifying Employees under the Qualifying Offer and shall have discretion to scale back Applications under the Qualifying Offer as it deems appropriate. The Company will have absolute discretion to determine eligibility under the Qualifying Offer. Applicants in the Qualifying Offer are encouraged to follow the Application Procedure and submit their Application online in accordance with the instructions on the Website as soon as possible and, in any event, by 5.00pm on 11 May 2007. Applications may not be made by post. APPLICANTS ARE URGED TO SUBMIT THEIR APPLICATIONS AT THE EARLIEST OPPORTUNITY. There is no guarantee that applicants will receive all of the Offer Shares for which they apply and it is possible that they may not receive any.

5 SPONSORSHIP AND UNDERWRITING AGREEMENT

- 5.1 The Company, the Directors, the Underwriters, the Sponsor and the Selling Shareholders have entered into the Sponsorship and Underwriting Agreement pursuant to which, subject to certain conditions which are customary in agreements of this nature, the Underwriters have agreed to use reasonable endeavours to procure purchasers for the Offer Shares allocated to the Institutional Offer or, failing which, to purchase such shares, in each case at the Offer Price. The Underwriters' agreement to procure purchasers for or, failing which, to purchase, the Offer Shares allocated to the Institutional Offer is subject, *inter alia*, to the execution of a separate pricing memorandum by the Company, the Underwriters and the Selling Shareholders to record, *inter alia*, the Offer Price.

The Offer is conditional upon Admission becoming effective and the Sponsorship and Underwriting Agreement becoming unconditional in all respects and not having been terminated in accordance with its terms.

The Underwriters are able to terminate the Sponsorship and Underwriting Agreement in certain circumstances at any time prior to Admission. If such right is exercised, the Offer will lapse and any monies received in respect of the Offer will be returned to applicants without interest.

The Sponsorship and Underwriting Agreement provides for the Underwriters to be paid a commission based on the overall proceeds of the Institutional Offer. The Company, the Directors and the Selling Shareholders have given the Underwriters certain warranties, representations and undertakings and, in the case of the Company and the Selling Shareholders, indemnities.

Further details of the terms of the Sponsorship and Underwriting Agreement are set out in paragraph 19.7 of Part X (“Additional Information”) of this document.

6 LOCK-UP ARRANGEMENTS

- 6.1 Each Director, each employee of the Group who will hold Ordinary Shares immediately following Admission and the Trustee is subject to certain lock-up arrangements pursuant to the Sponsorship and Underwriting Agreement or pursuant to separate lock-up agreements or directions.

The Company has undertaken to the Underwriters, *inter alia*, not, without the prior written consent of the Underwriters, to offer, issue, sell or contract to sell, grant any options in respect of or otherwise dispose of, directly or indirectly, any Ordinary Shares (or any interest therein or in respect thereof) or any securities convertible into or exchangeable for, Ordinary Shares or to enter into any transaction with the same economic effect, prior to a date falling 180 days after Admission.

Other than in respect of the Offer Shares to be sold as part of the Offer, the Directors and Senior Managers have each undertaken to the Underwriters and the Company, *inter alia*, not to and to procure that his connected persons will not, without the prior written consent of the Underwriters (other than in certain defined circumstances in accordance with normal practice (which, without limitation, would include an ability to sell Ordinary Shares to meet taxation liabilities arising on the death of the holder)), offer, sell or contract to sell or otherwise dispose of, directly or indirectly, any Ordinary Shares held by him or his connected persons immediately following Admission (or any interest therein or in respect thereof) or any securities convertible into or exchangeable for, such Ordinary Shares or enter into any transaction with the same economic effect as follows:

- (a) prior to the announcement of the Group’s results (whether by way of preliminary announcement or otherwise) (“Results Announcement”) for the financial year ending 30 June 2008, at all;
- (b) after the Results Announcement for the financial year ending 30 June 2008 and prior to the Results Announcement for the financial year ending 30 June 2009 except in respect of 25 per cent. of such Ordinary Shares;
- (c) after the Results Announcement for the financial year ending 30 June 2009 and prior to the Results Announcement for the financial year ending 30 June 2010 except in respect of 25 per cent. of such Ordinary Shares (and any Ordinary Shares which could have been, but were not, sold pursuant to (b) above); and
- (d) after the Results Announcement for the financial year ending 30 June 2010 and prior to the Results Announcement for the financial year ending 30 June 2011 except in respect of 25 per cent. of such Ordinary Shares (and any Ordinary Shares which could have been, but were not, sold pursuant to (b) and (c) above).

Such persons have further agreed to abide by certain orderly marketing restrictions until the Results Announcement for the financial year ending 30 June 2012.

- 6.2 The Trustee has undertaken to Citi and the Company *mutatis mutandis* as set out above save that such undertaking shall not apply to any Ordinary Shares to be transferred to satisfy awards of Share Options under the Employee Share Schemes in accordance with normal practice.

- 6.3 In addition to the foregoing, a group of 12 employees have each undertaken to the Company, *inter alia*, not to and will procure that his connected persons will not, without the prior written consent of the Company (other than in certain defined circumstances in accordance with normal practice (which, without limitation, would include an ability to sell Ordinary Shares to meet taxation liabilities arising on the death of the holder)), offer, sell or contract to sell or otherwise dispose of, directly or indirectly, any Ordinary Shares held by him or his connected persons immediately following Admission (or any interest in respect thereof) or any securities convertible into or exchangeable for, such Ordinary Shares or enter into any transaction with the same economic effect, as follows:
- (a) prior to the Results Announcement for the financial year ending 30 June 2008, at all; and
 - (b) after the Results Announcement for the financial year ending 30 June 2008 and prior to the Results Announcement for the financial year ending 30 June 2009 except in respect of 50 per cent. of such Ordinary Shares.

Such persons have further agreed to abide by certain orderly marketing restrictions upon the expiry of the lock-up periods described above and until the Results Announcement for the financial year ending 30 June 2010.

- 6.4 In addition to the foregoing, all employees and directors holding Ordinary Shares in the capital of the Company have been instructed, pursuant to the Company's internal share dealing code, that they must not offer, sell or contract to sell or otherwise dispose of, directly or indirectly, any Ordinary Shares held by them or their connected persons immediately following Admission (or any interest in respect thereof), or any securities convertible into or exchangeable for, such Ordinary Shares or enter into any transaction with the same economic effect, prior to the Results Announcement for the financial year ending 30 June 2008.

These provisions supplement the Model Code to which all employees of the Group are subject.

7 DEALINGS AND ADMISSION

- 7.1 It is expected that dealings in the Ordinary Shares will commence on a conditional basis on the London Stock Exchange at 8.00am on 15 May 2007. The earliest date for settlement of such dealings will be 18 May 2007. All dealings in the Ordinary Shares between the commencement of conditional dealings and the commencement of unconditional dealings will be on a "when issued basis" and at the risk of the parties concerned. If the Offer does not become unconditional, these dealings will be of no effect.

Admission is expected to take place and unconditional dealings in the Ordinary Shares are expected to commence on the London Stock Exchange at 8.00am on 18 May 2007. CREST accounts in respect of Ordinary Shares issued in uncertificated form are expected to be credited on 18 May 2007. Temporary documents of title will not be issued.

8 CREST

- 8.1 CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument. With effect from Admission, the Articles of the Company will permit the holding of Ordinary Shares under the CREST system. The Company will apply for the Ordinary Shares to be admitted to CREST with effect from Admission and settlement of transactions in the Ordinary Shares following Admission may take place within the CREST system. Applicants under the Offer will not be able to apply to hold their Ordinary Shares initially in certificated form.

9 CONDITIONALITY OF THE OFFER

- 9.1 The Offer will be subject to the satisfaction of conditions which are customary for transactions of this type contained in the Sponsorship and Underwriting Agreement. Further details of the Sponsorship and Underwriting Agreement are set out in paragraph 19.7 of Part X ("Additional Information") of this document. In these circumstances, the Offer or any component of it (and the arrangements associated with the Offer or any component of it) will lapse and any monies received in respect of the Qualifying Offer will be retained in the applicant's Vantage Fund and Share Account.

10 SELLING RESTRICTIONS

- 10.1 The offer, sale or transfer of the Ordinary Shares and the distribution of this document in certain jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. Further details regarding transfer and selling restrictions under the laws of particular jurisdictions, including the United States, which must be adhered to in connection with the Offer, are set out in the introductory pages of this document.

Part VIII

Terms and Conditions of Application for the Qualifying Offer

1 INTRODUCTION

- 1.1 These Terms and Conditions of Application apply to any Application made under the Qualifying Offer.

Applications must be submitted online in accordance with the Application Procedure as set out on the Website. Applications may not be made by post. Multiple Applications are not permitted.

Qualifying Clients are those individuals who, as at 11.59pm on 5 April 2007, were clients of the Group and whom the Directors, in their sole discretion, determine to be eligible to participate in the Qualifying Offer having regard, amongst other things and without limitation, to the size and nature of their investments under management or administration with the Group.

Qualifying Employees are those persons who, as at 11.59pm on 5 April 2007, were aged 18 or over and employed by the Group other than on a temporary basis.

It is important to note that Applications for Offer Shares must be made on the basis of an amount of money you wish to invest, rather than a number of Offer Shares. This is because the final Offer Price successful applicants will pay for Offer Shares will not be decided until after the Qualifying Offer has closed. The Offer Price is expected to be between 140 pence and 160 pence per Offer Share (the "Indicative Offer Price Range"). You should, however, note that the actual price per Offer Share payable by you could be set above or below this range.

If you apply for Offer Shares in the Qualifying Offer via the Application Procedure, you will be agreeing with the Company, the Joint Lead Managers and the Receiving Agent (together, the "Company and its agents") as set out in these Terms and Conditions of Application. The Application Procedure together with the Prospectus will be available online by following the instructions found on the Website.

2 OFFER TO ACQUIRE OFFER SHARES

- 2.1 All Applications in the Qualifying Offer by Qualifying Clients must be for a minimum of £5,000 worth of Offer Shares and, if your Application is for more than £5,000 worth of Offer Shares, must be for such greater sum as is a multiple of £5,000, subject to a maximum of £25,000 i.e. **Qualifying Clients may apply for Offer Shares worth: £5,000; £10,000; £15,000; £20,000 or £25,000.**
- 2.2 All Applications in the Qualifying Offer by Qualifying Employees must be for a minimum of £1,000 worth of Offer Shares and, if your Application is for more than £1,000 worth of Offer Shares, must be for such greater sum as is a multiple of £1,000 up to £10,000 and, thereafter, a multiple of £5,000, subject to a maximum of £25,000 i.e. **Qualifying Employees may apply for Offer Shares worth: £1,000; £2,000; £3,000; £4,000; £5,000; £6,000; £7,000; £8,000; £9,000; £10,000; £15,000; £20,000 or £25,000.**
- 2.3 By submitting an Application via the Application Procedure to the Receiving Agent, you as the applicant:
- (a) offer to purchase at the Offer Price the maximum number of Offer Shares that may be applied for with the amount specified in the Application as the amount that you wish to invest (or any smaller amount in respect of which your offer is accepted) provided that your application must be for the minimum amount specified in paragraph 2.1 above (or paragraph 2.2 as appropriate), subject to these terms and conditions, the terms of the Application Procedure and solely on the basis of information contained in this document, the Application and in accordance with the Memorandum and Articles of Association of the Company;
 - (b) authorise the Receiving Agent on behalf of the Company, to credit to your Vantage Fund and Share Account any monies sent by you in respect of which your Application is unsuccessful and to credit all Ordinary Shares for which your Application is accepted to such Vantage Fund and Share Account;

- (c) in consideration of the Company making the Offer, and as a collateral contract between you and the parties referred to above, which will become binding on receipt by the Receiving Agent of your Application;
- (i) agree that the offer referred to in paragraph 2.3(a) above may not be withdrawn by you or on your behalf prior to 30 June 2007 in the event Admission has not taken place;
 - (ii) agree that any communication with you in respect of the Qualifying Offer may be to the email address set out in your Application Form and, in this regard, you agree that the Company may seek to communicate with you on an urgent basis at any time between the date of the Prospectus and Admission and you agree that it is your responsibility to check your email regularly during this period. Any failure by you promptly to respond to any email sent to you which results in your Application being deemed to have been withdrawn or which otherwise affects your Application will be your responsibility and none of the Company, the Joint Lead Managers or the Receiving Agent shall have any liability to you in this respect;
 - (iii) undertake to pay the Offer Price for the Offer Shares (payable in full on Application) in respect of which your Application is accepted (if any) and you warrant that your remittance will be honoured on first presentation and in any event by 5.00pm on 11 May 2007, failing which your Application will be unsuccessful;
 - (iv) agree, on request by the Company, Citi or the Receiving Agent, to disclose promptly in writing to the Company, Citi or the Receiving Agent such information as they may request in connection with your Application and authorise them to disclose any information relating to your Application to such persons, in each case, as any of the Company, Citi or the Receiving Agent considers in its absolute discretion necessary or appropriate;
 - (v) agree that you are not applying on behalf of a person engaged in money laundering;
 - (vi) agree that any future communication sent by the Company to you in your capacity as a shareholder of the Company may be in the English language and may be sent to you by email to the email address as set out in your Application or made available to you on the Website in each case unless otherwise notified by you to the Company in writing or by email;
 - (vii) agree that, subject to any scaling down as set out in paragraph 7 below, the number of Offer Shares allocated to you will be calculated as the Sterling amount applied for (or Sterling equivalent thereof) divided by the Offer Price and rounded down to the nearest whole number of Ordinary Shares;
 - (viii) AGREE THAT THE OFFER PRICE MAY BE SET WITHIN, ABOVE OR BELOW THE INDICATIVE OFFER PRICE RANGE SET OUT IN THIS DOCUMENT AND THAT APPLICATIONS RECEIVED IN RESPECT OF THE QUALIFYING OFFER ARE IRREVOCABLE AND BASED ON THE AMOUNT YOU WISH TO INVEST AND NOT A NUMBER OF OFFER SHARES OR THE OFFER PRICE AND THAT APPLICATIONS, ONCE RECEIVED, CANNOT BE WITHDRAWN IF THERE IS A CHANGE TO THE INDICATIVE OFFER PRICE RANGE OR IF THE OFFER PRICE IS SET ABOVE OR BELOW THIS RANGE UNLESS, BY REASON OF THE MATERIALITY OF SUCH CHANGE OR THE EXTENT OF DEVIATION FROM SUCH RANGE, A SUPPLEMENTARY PROSPECTUS IS REQUIRED TO BE PUBLISHED IN ACCORDANCE WITH SECTION 87G FSMA, ON THE BASIS SET OUT IN PARAGRAPH 1.1 OF PART VII (“DETAILS OF THE OFFER”) OF THIS DOCUMENT;
 - (ix) agree that the Offer Price and the allocation of Offer Shares the subject of the Offer may be determined prior to, or later than, 5.00p.m. on 15 May 2007;
 - (x) agree that, in the event of a material change affecting the Company occurring between the date of the Prospectus and Admission, the Company may, in its absolute discretion and at its election, do any of the following:
 - (A) withdraw the Qualifying Offer (or any aspect thereof);

- (B) notify you by email of such material change and require you to take such action as may be specified in the email in order to reconfirm your Application. (If you fail to take such action as may be required to reconfirm your Application within the timescale specified in the email, the Company will be entitled to treat your Application as having been withdrawn by you and you will have no further rights in respect of your Application and no claim against the Company, the Joint Lead Managers or the Receiving Agent as a result of your Application Form being deemed to have been withdrawn); or
 - (C) proceed with the Qualifying Offer notwithstanding the occurrence of such material change, in which case you will have no right to withdraw your Application and you accept that your Application Form will continue to be binding and enforceable against you;
 - (xi) agree that Citi and the Company reserve the right to alter any arrangements in connection with the Qualifying Offer (including the timetable and terms of application) and that the Company reserves the right in its absolute discretion, to withdraw the Qualifying Offer in whole or in part at any time prior to Admission; and
 - (xii) agree that the contract arising from acceptance of Applications (in whole or in part) under the Qualifying Offer will be, or will be deemed to be, entered into by you (if you are a successful applicant) and the Company on these Terms and Conditions of Application for the Qualifying Offer and any changes, additions or alterations made by you or on your behalf to any Application Form will have no effect.
- 2.4 If your Application is not completed correctly or is amended your Application may still be treated as valid. In these circumstances, the decision of the Company and Citi, as to whether to treat your Application as valid, and how to construe, amend or complete it, shall be final. You will not, however, be treated as having offered to invest a higher amount than is indicated in your Application.
- 2.5 The Company reserves the right to reject, in whole or in part, or (save as provided below) to scale down any Application, or in the case of paragraph 2.5(d) below, to cancel any contract of allocation of Offer Shares including, without limitation:
- (a) multiple or suspected multiple Applications;
 - (b) any Application for an amount which is less than the amount specified in paragraph 2.1 above (or paragraph 2.2 as appropriate);
 - (c) any Application which has not been received by the Receiving Agent by 5.00p.m on 11 May 2007;
 - (d) any Application in relation to which the sum stated in the Application has not been cleared on first presentation and, in any event, by 5.00p.m. on 11 May 2007;
 - (e) any Application where the Application Procedure is not properly followed in all respects in accordance with the instructions on the Website, or as otherwise provided;
 - (f) any Application where as a result of such Application the provisions of paragraph 6 below are, or, but for the rejection of such Application, would be, breached;
 - (g) any Application made via the Application Procedure that has been, or is suspected of having been, changed by way of any addition, deletion or alteration or otherwise;
 - (h) any Application in names that are, or are suspected to be, fictitious, or which are otherwise unsuitable for share registration purposes; and
 - (i) any Application where you have supplied an incorrect or invalid email address.

3 ACCEPTANCE OF YOUR OFFER

- 3.1 You agree that acceptance of your Application, if it is received valid (or treated as valid), processed (and not rejected) and provided that it is not rejected subsequently as a result of a failure by you to comply with these Terms and Conditions of Application, shall be constituted at the election of the Company either:
- (a) by notifying the London Stock Exchange of the basis of allocation (in which case the acceptance will be on that basis); or

- (b) by notifying acceptance to the Receiving Agent.
- 3.2 The Company and its agents reserve the right to treat as valid any Application not complying fully with these Terms and Conditions of Application or not in all respects completed or sent in accordance with the instructions accompanying the Application Procedure. The Company and its agents reserve the right to waive in whole or in part any of the provisions of these Terms and Conditions of Application, either generally or in respect of one or more Applications. In particular, but without limitation, the Company may accept an Application made otherwise than by completing the Application Procedure where the applicant has agreed in some other manner satisfactory to the Company and its agents to apply in accordance with these Terms and Conditions of Application.
- 3.3 Citi, following consultation with the Company (and subject to the ability of the Company to require a minimum allocation of up to 39,526,575 Offer Shares for the Qualifying Offer), will determine the basis of allocation between the Institutional Offer and the Qualifying Offer. The Company, following consultation with Citi, will decide the allocation among Qualifying Clients and Qualifying Employees under the Qualifying Offer and shall have discretion to scale back Applications under the Qualifying Offer as it deems appropriate. The Company will have absolute discretion to determine eligibility under the Qualifying Offer. Accordingly, and subject to the proviso to paragraph 2.5 above in the case of Qualifying Employees, you may not receive all of the Offer Shares you apply for and you may not receive any at all.

4 CONDITIONS

- 4.1 The contracts created by the acceptance of Applications (in whole or in part) under the Qualifying Offer will be conditional upon the Offer Price having been determined (whether at a price which is within, above or below the Indicative Offer Price Range), the admission of the Ordinary Shares to the Official List of the UK Listing Authority and to trading on the London Stock Exchange's market for listed securities and such admission becoming effective and the Sponsorship and Underwriting Agreement having become wholly unconditional and not being terminated in accordance with its terms on or prior to 18 May 2007 (or such later date as the Company and Citi may agree). The Company, Citi and the Selling Shareholders expressly reserve the right to determine, at any time prior to Admission, not to proceed with the Qualifying Offer.
- 4.2 You will not be entitled to exercise any remedy of rescission for innocent misrepresentation (including pre-contractual representations) at any time after acceptance of your Application. This does not affect any other rights you may have.

5 RETURN OF APPLICATION MONIES

- 5.1 If any Application is not accepted in whole, or is accepted in part only, or if any contract created by acceptance does not become unconditional, the Application monies or, as the case may be, the balance of the amount paid on Application will be retained in your Vantage Fund and Share Account and administered in accordance with the terms and conditions thereof.

6 WARRANTIES

- 6.1 By making an Application, you:
- (a) confirm that you are resident in the United Kingdom;
 - (b) acknowledge that no action has been taken to permit a public offer in any jurisdiction outside the United Kingdom and if the laws of any territory or jurisdiction outside the United Kingdom are applicable to your Application, warrant that you have complied with all such laws, obtained all governmental and other consents which may be required, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with your Application in any territory and that you have not taken any action or omitted to take any action which will result in the Company or its agents or any of their respective officers, agents or employees acting in breach of the regulatory or legal requirements, directly or indirectly, of any territory or jurisdiction outside the United Kingdom in connection with the Qualifying Offer or your Application;

- (c) confirm that in making an Application you are not relying on any information or representations in relation to the Group or the Offer Shares other than that contained in the Prospectus (as may be supplemented by a supplementary prospectus) (on the basis of which alone your Application is made) and accordingly you agree that no person responsible solely or jointly for the Prospectus or any part thereof shall have any liability for any such other information or representations;
- (d) acknowledge that no person is authorised in connection with the Qualifying Offer to give any information or make any representation other than as contained in the Prospectus (as may be supplemented by a supplementary prospectus) and, if given or made, any information or representations must not be relied upon as having been authorised by the Company or the Selling Shareholders or any of their respective agents;
- (e) warrant that you are an individual who was not under the age of 18 on 5 April 2007;
- (f) agree that all documents sent by post to you, by or on behalf of the Company or any of its agents will be sent at your risk and may be sent to you at your address as set out in your Application;
- (g) confirm that you have reviewed the restrictions contained in the section entitled “Overseas Investors” in paragraphs 10.1 and 10.2 and warrant, to the extent relevant, that you (and any person on whose behalf you apply) comply or have complied with the provisions of such section;
- (h) warrant that you are not in the United States, or subscribing for the Ordinary Shares for the account of any person in the United States, and are not a Canadian person, or an individual, corporation or other entity resident in Japan or Australia;
- (i) warrant that the details relating to you as set out in your Application form are correct;
- (j) warrant that, you are (or, if you are applying on behalf of another person, that other person is) either a Qualifying Client or a Qualifying Employee on the date of your application and that the Application is submitted solely for and on behalf of the Qualifying Client or Qualifying Employee (as the case may be) and not directly or indirectly, in whole or in part, for and on behalf of any other person; and
- (k) acknowledge and agree that the decision as to your eligibility to participate as a Qualifying Client or Qualifying Employee is at the sole discretion of the Company.

7 ALLOCATIONS

- 7.1 Citi, following consultation with the Company (and subject to the ability of the Company to require a minimum allocation of up to 39,526,575 Offer Shares for the Qualifying Offer), will determine the allocation between the Institutional Offer and the Qualifying Offer. The Company will decide the allocation among Qualifying Clients and Qualifying Employees under the Qualifying Offer and shall have discretion to scale back Applications under the Qualifying Offer in aggregate or in individual circumstances, as it deems appropriate. The Company will have absolute discretion to determine eligibility under the Qualifying Offer. **APPLICANTS ARE URGED TO SUBMIT THEIR APPLICATIONS AT THE EARLIEST OPPORTUNITY. APPLICANTS IN THE QUALIFYING OFFER MAY NOT RECEIVE ALL OF THE OFFER SHARES FOR WHICH THEY APPLY AND IT IS POSSIBLE THAT THEY MAY NOT RECEIVE ANY.**
- 7.2 Announcement of the Offer Price is expected to take place on 15 May 2007 when a pricing supplement is expected to be published.

8 MISCELLANEOUS

- 8.1 To the extent permitted by law, all representations, warranties and conditions, express or implied and whether statutory or otherwise (including, without limitation, pre-contractual representations but excluding any fraudulent representations), are expressly excluded in relation to the Ordinary Shares and the Qualifying Offer.
- 8.2 The rights and remedies of the Company, Citi, the Joint Lead Managers, the Receiving Agent and their respective agents under these Terms and Conditions of Application are in addition to any rights and remedies which would otherwise be available to them, and the exercise or partial exercise of one will not prevent the exercise of others.

- 8.3 The dates and times referred to in these Terms and Conditions of Application may be altered by Citi and the Company at their sole discretion.
- 8.4 You agree that Citi, the Joint Lead Managers and Lexicon Partners Limited are acting for the Company in connection with the Offer and for no-one else and that Citi, the Joint Lead Managers and Lexicon will not treat you as their client by virtue of your Application being accepted or owe you any duties concerning the price of Offer Shares or concerning the suitability of Offer Shares for you or otherwise in relation to the Offer.
- 8.5 You authorise the Receiving Agent or any person authorised by them or the Company, as your agent, to do all things necessary to effect registration of any Ordinary Shares subscribed for or purchased by you in your name and authorise any representatives of the Receiving Agent to execute and/or complete any document required therefor.
- 8.6 You agree that by submitting an Application, you are applying to receive information by e-mail or any other communication method regarding the Qualifying Offer and specifically to receive notification of the availability of information regarding the Qualifying Offer.
- 8.7 You agree that a failure to receive, process or accept your Application for Offer Shares does not give rise to any right of action by any person against the Company, Citi, the Joint Lead Managers, Lexicon, the Receiving Agent or any other person. You agree that the non-receipt by any person of the Prospectus or any other related document shall not invalidate the Offer in whole or in part or give rise to any right of action by any person against the Company, Citi, the Joint Lead Managers, Lexicon Partners Limited, the Receiving Agent or any other person.
- 8.8 You agree that all Applications, acceptances of Applications and contracts resulting therefrom under the Qualifying Offer shall be governed by and construed in accordance with the laws of England and Wales and that, for the benefit of the Company, Citi, the Joint Lead Managers, Lexicon and the Receiving Agent, you submit to the non-exclusive jurisdiction of the English courts and agree that nothing shall limit the right of the Company, Citi, the Joint Lead Managers, Lexicon, the Receiving Agent or their agents or advisers to bring any action, suit or proceedings arising out of or in connection with any such Applications, acceptances and contracts in any other manner permitted by law or in any court of competent jurisdiction.
- 8.9 Completed Applications must be submitted online in accordance with the Application Procedure and the instructions contained on the Website by 5.00pm on 11 May 2007. Applications may not be made by post.
- 8.10 Applications by Qualifying Clients and Qualifying Employees in the Qualifying Offer are made on and subject to these Terms and Conditions of Application, the Prospectus (as may be supplemented by a supplementary prospectus), the Memorandum and Articles of Association of the Company (as amended from time to time), and the Application Procedure and its accompanying instructions.

9 MONEY LAUNDERING

- 9.1 You agree that, in order to ensure compliance with the Money Laundering Regulations 2003, the Receiving Agent or the Company may at their absolute discretion require, and you will provide, evidence which is satisfactory to them to establish your identity or that of any person on whose behalf you are acting and/or your status. Failure to provide the necessary evidence of identity may result in Applications being rejected or delays in the despatch of documents.

10 OVERSEAS INVESTORS

- 10.1 If you receive a copy of the Prospectus or access the Application Procedure in any territory other than the United Kingdom, you may not treat it as constituting an invitation or offer to you, nor should you, in any event, use the Application Procedure unless, in the relevant territory, such an invitation or offer could lawfully be made to you or the Application Procedure could lawfully be followed without contravention of any registration or other legal requirements. It is your responsibility, if you are outside the United Kingdom and wishing to make an Application for Offer Shares under the Qualifying Offer, to satisfy yourself that you have fully observed the laws of any relevant territory or jurisdiction in connection with your Application, including obtaining any requisite governmental or other consents, observing any other formalities requiring to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory. The Company reserves the right, in its absolute discretion, to reject any Application received from outside the United Kingdom.

10.2 Without limiting the above, the Ordinary Shares may not be offered, sold or delivered, directly or indirectly, in or into Canada, Japan or Australia or in or into the United States except in reliance on, or in a transaction not subject to, the registration requirements under the Securities Act or other relevant legislation. If you subscribe for or purchase Ordinary Shares in the Qualifying Offer you will, unless the Company agrees otherwise in writing, be deemed to represent and warrant to the Company and its agents that you are not in the United States. No Application will be accepted if it bears an address in the United States or appears to have originated from the United States or otherwise there is cause to believe you are in the United States.

Part IX

Compliance and Regulation

1 REGULATION BY THE FSA

- 1.1 In the UK, the provision of financial services is subject to certain requirements under FSMA. In particular, the carrying on of certain “regulated activities” requires authorisation by the FSA. It is a criminal offence to breach this requirement and agreements made in the course of carrying on regulated activities in contravention of the requirement are unenforceable. Each of the Regulated Subsidiaries is authorised and regulated by the FSA.

The FSA issues rules with which all firms regulated by it must comply. These are contained in the FSA Rules. Generally the FSA Rules seek to ensure that regulated entities have adequate financial resources, are managed and controlled by fit and proper persons, have appropriate safeguards in place to protect client assets and money and comply with certain minimum conduct of business standards. Members of the management of an FSA regulated firm (including all of its directors) and certain members of staff including those who conduct customer functions on behalf of the firm are required to be individually vetted and approved by the FSA as “approved persons”.

If a breach of the FSA Rules were to occur, the FSA would have the power to take a wide range of disciplinary actions against each of the relevant Regulated Subsidiaries and any of the relevant approved persons of those subsidiaries, including the imposition of fines, the suspension or termination of the FSA authorisation and the removal of “approved person” status.

In addition to detailed FSA Rules, firms such as the Regulated Subsidiaries are subject to certain core principles issued by the FSA. The principles are intended to establish broad standards to ensure fairness and integrity in the provision of financial services in the United Kingdom. A breach of a principle also gives rise to a right for the FSA to take direct action against the relevant entity (which includes the power to terminate the firm’s or the approved person’s authorisation). Paragraph 3.3 below describes the FSA’s move to a more principles-based form of regulation.

Regulatory capital requirements form an integral part of the FSA’s prudential supervision of FSA authorised firms. The regulatory capital rules oblige firms to hold a certain amount of capital at all times (taking into account the particular risks to which the firm may be exposed given its business activities) thereby helping to ensure that firms can meet their liabilities as they fall due and to ensure financial stability.

Regulatory capital requirements exist on two levels. The first is a solo requirement aimed at individual authorised entities (with the relevant firm being required to submit to the FSA periodic returns to demonstrate compliance with the relevant requirement). The second is the consolidated (or group) requirement and relates to the entire group of which the authorised firm or firms form part. The FSA’s rules in relation to capital requirements have recently been updated to implement the Capital Requirements Directive.

2 THE REGULATED SUBSIDIARIES

- 2.1 *Hargreaves Lansdown Asset Management Limited*

HLAM is permitted by the FSA to carry on a range of regulated activities including the provision of discretionary asset management services. Other permitted activities include advising on and arranging transactions in investments (such as shares and units in regulated funds), advising on and arranging transactions in regulated mortgage contracts and advising on and arranging transactions in general insurance. It also has permission to deal in investments (either as agent or as principal) and to safeguard and administer its clients’ assets.

With effect from 6 April 2007, the FSA assumed the regulation of certain activities relating to personal pensions. As the administrator to the HL Vantage SIPP, HLAM has recently varied its FSA permissions to enable it to carry on the activities of operating and winding up a personal pension scheme.

HLAM is registered with HMRC to act as an ISA and PEP manager pursuant to the applicable regulations. According to its registrations, it is permitted to act as a manager offering the stocks and shares component and cash component of an ISA and to accept transfers of ISAs and PEPs.

HLAM is responsible for safeguarding and administering the assets of its clients and for holding and controlling client money. All client assets are held separately from the assets of the company in the name of HLAM's nominee, Hargreaves Lansdown (Nominees) Limited. Client money is held in a separate designated client account with Lloyds TSB Bank plc and other banks.

2.2 *Hargreaves Lansdown Fund Managers Limited*

HLFM is directly regulated by the FSA as a manager of authorised unit trusts. Its FSA permissions allow it to carry on the usual activities associated with the management of authorised funds including the activities of establishing, operating and winding up a regulated collective investment scheme. It is currently the manager of four authorised unit trusts: the HL Multi-Manager Special Situations Trust, the HL Multi-Manager Balanced Managed Trust, the HL Multi-Manager Income and Growth Portfolio Trust and the HL Multi-Manager Cautious Managed Trust (the HL multi-manager funds). Each of those unit trusts are categorised as "non-UCITS retail schemes" for the purposes of the FSA Rules. These types of authorised scheme may be marketed to the general public in the UK but do not benefit from certain passporting rights under the UCITS Directive. Units in each of the funds are an eligible investment for PEPs or a stocks and shares component of an ISA.

In the course of managing the HL multi-manager funds, HLFM is required to comply with the applicable requirements set out in the FSA's New Collective Investment Scheme Sourcebook.

The trustee of each of the HL multi-manager funds is The Royal Bank of Scotland plc.

2.3 *Hargreaves Lansdown Stockbrokers Limited*

HLS is authorised to carry on a range of stockbroking activities which includes arranging transactions in securities, dealing in investments as agent, and safeguarding and administering assets belonging to its clients. HLS is not permitted to deal in investments as principal nor to act as a market maker.

Client assets are held in the name of Hargreaves Lansdown (Nominees) Limited and client money is held in a designated client account with Lloyds TSB Bank Plc and other banks.

HLS has FSA permissions to enable it to introduce its clients to City Index Limited in respect of the Hargreaves Lansdown Contracts for Differences Service and in respect of its spreadbetting services. HLS is not permitted to enter into direct transactions with its clients in relation to contracts for differences or spreadbetting.

HLS has appointed Cambridge Securities Limited as its appointed representative pursuant to section 39, FSMA. Under that provision and pursuant to the terms of the relevant appointed representative agreement, HLS is responsible for the acts and omissions of Cambridge Securities Limited as regards certain regulated activities carried on by it.

2.4 *Hargreaves Lansdown Pensions Direct Limited*

HLPD is directly regulated by the FSA as an investment adviser and investment broker. In particular, it has permission from the FSA to provide investment advice to corporates and individuals in relation to pensions including pension transfers and pension opt-outs. HLPD may only advise in relation to certain investment types such as life policies, stakeholder pension schemes and units in collective investment schemes (although it may only advise in relation to units where they relate to pension transfers or pension opt-outs). It is not permitted to advise or arrange transactions in relation to shares and is not permitted to hold client assets or client money.

3 **REGULATORY CHANGES AFFECTING THE GROUP'S BUSINESS**

3.1 General risks affecting the Group's business as a consequence of its operations in the regulated sector are set out in Part II of this Prospectus.

3.2 *MIFID and new FSA rules*

MIFID is a major part of the European Union's Financial Services Action Plan. It makes significant changes to the regulatory framework across Europe. In particular it confers passporting rights on regulated entities which fall within its scope to enable them to carry on certain regulated business in other EEA States without needing to obtain separate authorisations in the relevant states concerned. HLAM and HLS fall within MIFID's scope.

In the UK, MIFID's implementation has required amendments to FSMA and its secondary legislation and substantial changes to the FSA Rules. As part of this process the FSA has undertaken a wholesale review of its Handbook of rules which has resulted in significant changes to its rules, including the introduction of a new sourcebook concerning the conduct of regulated business. The Regulated Subsidiaries will be required to comply with these new rules when they take effect on 1 November 2007.

The Group has conducted an assessment of the new FSA rules and their impact on the business. It is in the course of reviewing and amending its own internal processes, procedures and, where relevant, is in the course of reviewing its relationships with third parties to ensure compliance. It is likely that the new rules will bring about changes to the way in which the Regulated Subsidiaries conduct business and communicate with their clients. Overall, the Group has concluded that the impact of the new FSA rules whether in the short term or otherwise will not be material and that the costs of implementation are unlikely to be significant.

3.3 *The move to principles-based regulation*

In addition to addressing requirements under MIFID, the FSA is moving towards a more principles-based form of regulation. The FSA have stated that this represents a shift of emphasis away from looking at the processes carried out by firms, towards certain outcomes the FSA is seeking to achieve for consumers, firms and markets.

While this change in approach should give regulated firms such as the Regulated Subsidiaries flexibility to decide for themselves how they will achieve the FSA's desired outcomes, it is likely to create some uncertainty, particularly as the way in which the FSA interprets its principles and high level rules may not be apparent from the relevant sourcebook within the FSA rules. In that respect, as a consequence of the principles-based approach to regulation, the FSA may not always agree that the Group's internal systems, procedures and controls are sufficient to comply with the principle concerned.

4 RESTRICTIONS ON CHANGES OF CONTROL

- 4.1 Each of the Regulated Subsidiaries are subject to certain FSA regulatory restrictions regarding persons who may act as a "controller". Broadly, a "controller" for the purposes of the FSA rules means a person who either alone or with its associates holds 10% or more of the shares or voting rights in a regulated firm or parent company of a regulated firm. Any person who alone, or with associates, holds 10% or more of the Ordinary Shares will therefore become a "controller" of each of the Regulated Subsidiaries.

The existing controllers of the Regulated Subsidiaries are Peter Hargreaves and Stephen Lansdown and this is not anticipated to change following Admission. However, since it is anticipated that their shareholdings will drop below key thresholds following the Offer and Admission, notification has been made to the FSA of that fact in accordance with the FSA Rules and formal notification will be given to the FSA once the final Offer Price and statistics have been determined.

5 THE GROUP'S APPROACH TO COMPLIANCE

- 5.1 In accordance with its obligations under the regulatory regime, the Group has implemented senior management arrangements, systems and controls to ensure the Regulated Subsidiaries comply with the relevant FSA Rules and the Group generally continues to organise and control its affairs effectively. The Regulated Subsidiaries also have in place procedures to apportion certain regulatory responsibilities to individual directors in such a manner that all material risks are adequately monitored and controlled. The compliance team (including internal audit) numbers some 23 members of staff.
- 5.2 During the period between 1992 and 2002, the Group offered a discretionary management service of zero class shares of split capital investment trusts which was promoted as the "Secure Growth Portfolio". Generally, the split capital sector has been the subject of particular FSA scrutiny. In 2004, the FSA imposed a fine of £300,000 on HLAM as regards the marketing of the Secure Growth Portfolio and HLAM undertook a review of its customers in order to identify potential losses. Subsequently, HLAM arranged for compensation to be offered to a range of customers who had been adversely affected. Save for the £300,000 fine and an excess amount of £75,000 which was paid by HLAM, the total liability of £1,706,799 was met by the Group's professional indemnity insurers.

- 5.3 The services and products offered by the Regulated Subsidiaries fall within the jurisdiction of the Financial Ombudsman Service (“FOS”) which is an organisation established under FSMA to assist with the settlement of disputes between regulated firms and their clients. While the Group has in place systems and procedures to deal with complaints (as required under the FSA Rules) it would be usual for a number of complaints to be referred to the FOS. So far as the Directors are aware there are no complaints currently being considered by the FOS which could have any material adverse effect on the financial position or profitability of the Group nor its reputation.
- 5.4 As explained in paragraph 2.2 above, HLFM is the authorised fund manager of the HL Multi-Manager Unit Trusts. In that respect, HLFM is responsible under the trust deeds constituting the HL Multi-Manager Unit Trusts and under the regulatory regime for a number of functions including the administration of the unit trusts (such as carrying out valuations and pricing units) and keeping the register of unitholders. The performance of these functions has been outsourced to Capita Financial Administrators Limited (“Capita”). For the purposes of the FSA rules, this constitutes a material outsourcing arrangement which means that from a regulatory perspective, HLFM remains responsible for the functions performed on its behalf by Capita.
- 5.5 Stralfors Plc provides critical document printing and mailing services to the Group pursuant to an agreement dated 1 October 2005. The Group also regards this agreement to be a material outsourcing agreement for the purposes of the FSA Rules.

Part X

Additional Information

1 RESPONSIBILITY

- 1.1 The Directors, whose names and functions are set out in Part IV of this Prospectus, and the Company, whose registered office is set out in paragraph 2.3 below, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors and the Company (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2 THE COMPANY

- 2.1 The Company was incorporated and registered in England and Wales on 10 April 1987 as a private company limited by shares under the Act with the name Quayshelfco 170 Limited and with registered number 02122142. The Company's name was changed to Hargreaves Lansdown Limited on 1 July 1987. It was re-registered as a public limited company with the name Hargreaves Lansdown Plc on 10 September 1987.
- 2.2 The principal legislation under which the Company operates and under which the Ordinary Shares have been created is the Act, the Companies Act 2006 and the regulations made thereunder.
- 2.3 The Company is domiciled in the United Kingdom with its registered office and principal place of business at Kendal House, 4 Brighton Mews, Clifton, Bristol BS8 2NX, telephone +44 (0)117 988 9880.

3 SHARE CAPITAL

- 3.1 At the date of its incorporation, the Company had an authorised share capital of £100 divided into 100 ordinary shares of £1 each. By a special resolution passed at an extraordinary general meeting of the Company held on 29 June 1987, the existing ordinary shares of £1 each in the capital of the Company were sub-divided into ordinary shares of 10p and the authorised share capital of the Company was increased to £250,000 divided into 2,500,000 ordinary shares of 10p each.
- 3.2 At an extraordinary general meeting of the Company held on 30 January 2007, a special resolution was passed, subject to the sanction of an order of the High Court of Justice, to reduce the authorised share capital of the Company from £250,000 divided into 2,500,000 ordinary shares of 10p each to £241,991.70 divided into 2,419,917 ordinary shares of 10p each by the cancellation of 80,083 ordinary shares from the authorised and issued share capital of the Company. The resolution further provided that, upon the said reduction taking effect, the authorised share capital of the Company be increased to £250,000 divided into 2,500,000 ordinary shares of 10p by the creation of 80,083 new ordinary shares of 10p each. The object of the resolution was to remedy the Company's ineffective purchases of 80,083 of its own shares in 1991 and 1992, transactions which were not carried out in accordance with the provisions of Chapter VII of Part V of the Act.
- 3.3 The cancellation was approved by the High Court on 28 February 2007, and the reduction and subsequent increase in the Company's share capital became effective on 1 March 2007 upon the registration of the order from the High Court with the Registrar of Companies.
- 3.4 At an extraordinary general meeting of the Company held on 10 April 2007, resolutions were passed to the effect that:
- (a) each ordinary share of 10p nominal value in the capital of the Company was sub-divided into 25 Ordinary Shares;
 - (b) new articles of association were adopted by the Company as described in paragraph 5 of this Part X;
 - (c) the authorised share capital of the Company was increased from £250,000 to £2,100,000 by the creation of 462,500,000 new Ordinary Shares ranking *pari passu* in all respects with the existing issued and authorised but unissued Ordinary Shares;

- (d) the Directors were generally and unconditionally authorised in accordance with Section 80 of the Act to allot any authorised but unissued share capital of the Company for a period of five years from the date of passing the resolution, unless previously revoked or varied by the Company in general meeting;
- (e) the Directors were empowered for a period of 15 months after the passing of the resolution or until the conclusion of the annual general meeting of the Company next following the passing of the resolution, whichever is earlier, to allot Ordinary Shares pursuant to the authority referred to in the preceding sub-paragraph as if Section 89(1) of the Act did not apply to such allotment provided the allotment is confined to the allotment of Ordinary Shares:
 - (i) for the purposes of fulfilment of Share Options;
 - (ii) to existing members by way of rights, open offer, scrip or bonus issue; and
 - (iii) otherwise than as stated above, up to an aggregate nominal value of £94,863.72 (being equal to 5 per cent. of the issued share capital of the Company immediately following Admission)

and the Company may, prior to the expiry of the powers conferred above, make an offer or agreement that requires or might require Ordinary Shares to be allotted after the expiry of such power;

- (f) there was declared a bonus issue of 431,198,750 Ordinary Shares from the Company's share premium account on the basis of ten new Ordinary Shares for every one Ordinary Share held; and
- (g) the Company was authorised to send or supply documents or information to members by making them available on a website or by other electronic means pursuant to and in accordance with the provisions of the Companies Act 2006.

3.5 Since 30 June 2003, being the period covered by the historical financial information in this document, there have been the following changes to the Company's issued share capital:

- (a) on 8 January 2004, a total of 5,500 ordinary shares of 10p each were issued pursuant to share option schemes;
- (b) on 10 June 2004, a total of 13,944 ordinary shares of 10p each were issued pursuant to share option schemes;
- (c) on 14 September 2004, a total of 1,248 ordinary shares of 10p each were issued pursuant to share option schemes;
- (d) on 5 October 2004, a total of 832 ordinary shares of 10p each were issued pursuant to share option schemes; and
- (e) on 13 December 2004, a total of 2,332 ordinary shares of 10p each were issued pursuant to share option schemes.

In addition, on 10 April 2007, each issued and unissued ordinary share of nominal value 10p was sub-divided into 25 Ordinary Shares and a total of 431,198,750 Ordinary Shares were allotted and issued by way of bonus issue on the basis described at paragraph 3.4 (f) above.

3.6 The historical financial information indicates that during the period of three years and six months since 30 June 2003 the issued share capital increased from 1,700,939 ordinary shares of 10p each to 1,724,795 ordinary shares of 10p each, by virtue of the issue of the 23,856 ordinary shares referred to in paragraph 3.5 above. However, the Company has discovered that the purchases of 80,083 ordinary shares which the Company purported to effect in 1991 and 1992 were invalid (as referred to in paragraph 3.2 above). As a result, the issued share capital in the financial information for the period was understated by 80,083 ordinary shares, and accordingly the issued share capital at 31 December 2006 should actually have stood at £180,487.80 divided into 1,804,878 ordinary shares of 10p each. In approving the reduction of share capital referred to in paragraph 3.2 above, the High Court confirmed that no restatement of the Company's accounts was needed under section 245 of the Act, and as a consequence of the reduction of share capital, on 1 March 2007 the issued share capital of the Company returned to £172,479.50 divided into 1,724,795 ordinary shares of 10p each.

- 3.7 The authorised and issued share capital of the Company at the date of this document, and as it will be immediately following Admission, is as follows:

<i>Authorised share capital</i>	<i>Issued share capital</i>
£2,100,000 divided into 525,000,000 Ordinary Shares	£1,897,274.50 divided into 474,318,625 Ordinary Shares (issued and credited as fully paid)

- 3.8 The par (or nominal) value of each Ordinary Share is 0.4p. The Ordinary Shares are in registered form only. The Ordinary Shares are denominated in pounds sterling.
- 3.9 On Admission the Ordinary Shares will rank *pari passu* in all respects. Save as set out in paragraph 3.4(e) above, the Ordinary Shares have pre-emption rights in respect of any future issues of Ordinary Shares to the extent conferred by Section 89 of the Act.
- 3.10 No unissued share or loan capital of the Company is under option or agreed, conditionally or unconditionally, to be put under option.
- 3.11 The Trustee, a subsidiary of the Company, holds Ordinary Shares for the EBT for the exercise of options under the Employee Share Scheme. Details of such holdings are set out in paragraph 14.1 of this Part X.

4 MEMORANDUM OF ASSOCIATION

- 4.1 The Memorandum of Association of the Company provides that the Company's principal objects are, among other things, to:
- (a) carry on business as a holding company and as an investment company and to provide management, financial and administrative services to any other person, firm or company;
 - (b) act as investment and financial advisers, managers and dealers; to transact every kind of insurance, unit trust and investment agency business; and to carry on any activities referred to in paragraphs 12-16 of the First Schedule to the Financial Services Act 1986; and
 - (c) carry on the business of a broker and dealer as a corporate member of the London Stock Exchange and to deal in securities of all descriptions and do all or any things and matters ancillary to the foregoing business as a broker and dealer.
- 4.2 The objects of the Company are set out in full in clause 4 of the Memorandum of Association of the Company.

5 ARTICLES OF ASSOCIATION

The Articles contain, *inter alia*, provisions to the following effect:

5.1 Voting rights

Subject to the provisions of the Act, to any rights or restrictions as to voting attached to any class of shares, and to any suspension or abrogation of voting rights pursuant to the Articles, at any general meeting every member who is present in person (including any corporation present by its duly authorised representative) shall on a show of hands have one vote, and on a poll every member present in person or by proxy shall have one vote for every share of any class of which he is the holder.

5.2 Transfer of shares

Subject to the standard restrictions of the Articles set out in (a) to (e) below as may be applicable and save in the case of shares that have become participating securities for the purposes of the CREST Regulations, title to which may be transferred by means of a relevant system such as CREST without a written instrument, the Ordinary Shares may be transferred by instrument of transfer in writing in any usual form or in any form approved by the Board. Such instrument shall be executed by or on behalf of the transferor and (in the case of a transfer of a share which is not fully paid up) by or on behalf of the transferee. The transferor shall be deemed to remain the holder of such share until the name of the transferee is entered in the register of members in respect of it. The Board may, in its absolute discretion and without giving any reason, refuse to register any transfer of a certificated share unless:

- (a) it is in respect of a share which is fully paid up;
- (b) it is in respect of only one class of share;
- (c) it is in favour of a single transferee or not more than four joint transferees;

- (d) it is duly stamped (if required); and
- (e) it is delivered for registration to the registered office or such other place as the Board may from time to time determine, accompanied (except in the case of a transfer by a recognised person where a certificate has not been issued or in the case of renunciation) by the certificate for the shares to which it relates and such other evidence as the Board may reasonably require to prove the title of the transferor or person renouncing and the due execution of the transfer or renunciation by him or, if the transfer or renunciation is executed by some other person on his behalf, the authority of that person to do so.

The Board may, in its absolute discretion and without giving any reason, refuse to register the transfer of an uncertificated share in the circumstances set out in the CREST Regulations (subject to any relevant requirements of the UKLA and/or the London Stock Exchange).

If the Board refuses to register a transfer it must, within two months after the date on which the transfer was lodged with the Company, send notice of the refusal to the transferee.

The registration of transfers may be suspended, to the extent as is consistent with the Act, by the Board for any period (not exceeding 30 days) in any year.

5.3 *Pre-emption*

Subject to the provisions of the Act and of the Articles, all unissued shares are at the disposal of the Board. The statutory pre-emption rights in relation to the allotment of equity securities (within the meaning of Section 94 of the Act) have been disapplied by the Company's shareholders to the extent set out in paragraph 3.4 of this Part X.

5.4 *Return of capital on a winding-up*

If the Company is wound up, the balance of assets available for distribution shall, with the sanction of a special resolution of the Company and any other sanction required by law, be divided among the members in such manner as shall be determined by the liquidator.

5.5 *Dividends and other distributions*

Subject to the provisions of the Act and of the Articles, the Company may by ordinary resolution declare dividends to be paid to members according to their respective rights and interests in the profits of the Company. However, no dividend shall exceed the amount recommended by the Board.

Subject to any special rights attaching to shares, all dividends shall be apportioned and paid *pro rata* according to the amounts paid up (otherwise than in advance of calls) on the shares during any portion or portions of the period in respect of which the dividend is paid. Subject to the provisions of the Act, interim dividends may be paid provided that they appear to the Board to be justified by the profits available for distribution. Unless otherwise provided by the rights attached to any share, no dividends in respect of a share shall bear interest. The Board may, with the prior authority of an ordinary resolution of the Company, offer the holders of Ordinary Shares the right to elect to receive Ordinary Shares credited as fully paid instead of cash in respect of all or part of any dividend. All dividends unclaimed for 12 years after having become due for payment (if the Board so resolves) shall be forfeited and shall revert to the Company.

5.6 *Redemption*

Subject to the Act and to any special rights from time to time attached to any existing shares, any shares may be issued on terms that they are, or at the option of the Company and/or the holder, are liable, to be redeemed on the terms and in the manner provided for by the Articles.

5.7 *Variation of rights*

Subject to the provisions of the Act and of the Articles, whenever the share capital of the Company is divided into different classes of shares, the special rights attached to any class of shares may be varied or abrogated in such manner as may be provided by such rights or, in the absence of such provision, either with the written consent of the holders of not less than three quarters in nominal value of the issued shares of the class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of the class (but not otherwise) and may be so varied or abrogated while the Company is a going concern or while the Company is or is about to be in liquidation. To every separate meeting the provisions of the Articles relating to general meetings *mutatis mutandis* apply, but the necessary quorum is not less than two persons holding or representing by proxy at least one-third of the nominal amount paid up on the issued shares of the relevant class.

5.8 *Alteration of share capital*

The Company in general meeting may from time to time:

- (a) by ordinary resolution, increase its authorised share capital;
- (b) by ordinary resolution consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares, sub-divide all or any of its shares into shares of a smaller amount (so that the resolution whereby any share is sub-divided may determine that as between the holders of the shares resulting from the sub-division one or more shares may have such rights or restrictions as compared with the other or others as the Company has power to attach to unissued or new shares) and cancel any shares not at the date of the resolution taken or agreed to be taken by any person;
- (c) subject to the provisions of the Act and to any rights attached to any shares, by special resolution reduce its share capital, any capital redemption reserve and any share premium account; and
- (d) subject to the provisions of the Act and to any rights attached to any shares, purchase all or any of its shares of any class, including any redeemable shares.

5.9 *Directors*

- (a) A Director is not required to hold any shares in the capital of the Company.
- (b) The salary or remuneration of any Director appointed to hold any employment or executive office shall be determined by the Board. The ordinary remuneration of the Directors who do not hold executive office for their services (excluding amounts payable under any other provision of the Articles) shall not exceed in aggregate £200,000 per annum or such other higher amount as the Company may from time to time by ordinary resolution determine. Subject thereto, each such Director shall be paid a fee for their services at such rate as may from time to time be determined by the Board. The Directors are also entitled to be repaid all reasonable travelling, hotel and other expenses properly incurred by them in or about the performance of their duties as Directors. If by arrangement with the Board any Director performs any special duties outside his ordinary duties as a Director, the Board may pay him additional remuneration (in addition to any fees or ordinary remuneration) which may be by way of salary, commission, participation in profits or otherwise.
- (c) The Board may exercise all the powers of the Company to provide and maintain pensions, other retirement or superannuation benefits, death or disability benefits, gratuities or other allowances for persons who are or were directors of any company in the group and their relatives or dependants.
- (d) A Director may be appointed by the Board to the office of managing director and/or any other office or place under the Company (except that of auditor) for such period, on such terms and at such remuneration as the Board may determine.
- (e) No Director is disqualified by his office from contracting with the Company nor is any contract or arrangement entered into on behalf of the Company in which any Director is in any way interested liable to be voided, nor is any Director so contracting or being so interested liable to account to the Company for any profit realised thereby, but the nature of his interest must be declared by the Director at a meeting of the Board subject to the provisions of the Act.

- (f) Save as provided in paragraph (g) below, a Director may not vote in respect of any contract or arrangement or any other proposals whatsoever in which he has any material interest otherwise than by virtue of his interest in shares or debentures or other securities of or otherwise in or through the Company. A Director will not be counted in the quorum of a meeting in relation to any resolution on which he is debarred from voting.
- (g) A Director is entitled to vote (and will be counted in the quorum) in respect of any resolution concerning any of the following matters:
 - (i) the giving of any guarantee, security or indemnity to him in respect of money lent or obligations incurred by him at the request of or for the benefit of the Company or any of its subsidiaries;
 - (ii) the giving of any guarantee, security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
 - (iii) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiaries in which offer he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate;
 - (iv) any proposal concerning any other body corporate in which he is interested directly or indirectly and whether as an officer or shareholder or otherwise howsoever, provided that he (together with persons connected with him) does not have an interest (as the term is defined in Section 820 of the Companies Act 2006) in one per cent. or more of the issued equity share capital of any class of such body corporate or in the voting rights available to members of such body corporate;
 - (v) any proposal relating to an arrangement for the benefit of the employees of the Company or any of its subsidiary undertakings which does not award him any privilege or benefit not generally awarded to the employees to whom such arrangement relates; and
 - (vi) any proposal concerning insurance that the Company purports to maintain or purchase for the benefit of Directors or for the benefit of persons who include Directors.
- (h) Where proposals are under consideration concerning the appointment (including fixing or varying the terms of appointment) of two or more Directors to offices or employments with the Company or any company in which the Company is interested such proposals shall be divided and considered in relation to each Director separately. In such case each of the Directors concerned (if not debarred from voting as described above) is entitled to vote (and will be counted in the quorum) in respect of such resolution except that concerning his own appointment.
- (i) The Directors are required to retire by rotation. No Director is to retire from office by reason of the fact that he has attained the age of seventy or any other age.

5.10 *General meetings*

The Board may make arrangements to control the level of attendance at any place of the holding of a general meeting and, in any such case, shall direct that the meeting be held at a specified place, where the chairman of the meeting shall preside, and make arrangements for simultaneous attendance and participation by members at other locations. The chairman of the general meeting has authority to adjourn the meeting if, in his opinion, it appears impractical to hold or continue the meeting because of weight of numbers.

5.11 *Borrowing powers*

The Board may exercise all the powers of the Company to borrow and to mortgage or charge its undertaking, property and uncalled capital or any part thereof and to issue debentures and other securities.

5.12 *Untraced shareholders*

In certain circumstances the Company will be entitled to sell the shares of a member or the shares to which a person is entitled by transmission if, *inter alia*, during a period of 12 years, all warrants and cheques sent to him during that period have remained uncashed.

5.13 *Non-EEA state shareholders*

There are no limitations in the Memorandum of Association or Articles on the rights of non-EEA state shareholders to hold, or exercise voting rights attached to the shares. However, non-EEA state shareholders are not entitled to receive notices of general meetings unless they have given to the Company an address in an EEA state to which such notices may be sent or an address to which such notices may be sent using electronic communications.

5.14 *CREST*

CREST is a paperless settlement system enabling the securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument. The Articles are consistent with CREST membership and, amongst other things, allow for the holding and transfer of shares in uncertificated form. The Company currently anticipates entering the CREST system on Admission.

5.15 *Electronic Communications*

By a resolution dated 10 April 2007 (as referred to at paragraph 3.4(g) of this Part X), the Shareholders resolved that the Company may communicate with its members via a website and other electronic means for the purposes of the Disclosure Rules and the Companies Act 2006.

The Company has served notice on its existing shareholders of its intention to communicate with them via a website and has sought their acceptance to communicate with them by way of other electronic means.

Successful applicants under the Offer will be notified of the Company's intention to communicate with them via a website and will be requested to consent to the Company communicating with them by way of other electronic means following Admission.

6 **SUBSIDIARY UNDERTAKINGS**

6.1 The Group comprises the Company and its subsidiary undertakings. The Company has the following subsidiaries, all of which are directly or indirectly 100% owned by the Company:

<i>Company name</i>	<i>Country of incorporation</i>	<i>Principal activity</i>
Hargreaves Lansdown Asset Management Limited	England and Wales	Unit trust broking, investment fund management, ISA and PEP administration, financial advice, life insurance and pensions consultancy
Hargreaves Lansdown Fund Managers Limited	England and Wales	Unit trust management
Hargreaves Lansdown Pensions Direct Limited	England and Wales	Pension broking
Hargreaves Lansdown Stockbrokers Limited	England and Wales	Stockbroking
Library Information Services Limited ¹	England and Wales	Provision of funds library service
Hargreaves Lansdown EBT Trustees Limited	England and Wales	Corporate trustee for the EBT
Hargreaves Lansdown (Nominees) Limited	England and Wales	Nominee company to hold investments on behalf of clients
Hargreaves Lansdown Pensions Trustees Limited	England and Wales	Corporate trustee for the Hargreaves Lansdown SIPP
Hargreaves Lansdown Trustee Company Limited	England and Wales	Corporate trustee for the SIP
Hargreaves Lansdown Insurance Brokers Limited	England and Wales	Not actively trading

¹ Although Library Information Services Limited is currently a wholly-owned subsidiary, the Company is in the preliminary stages of granting share options to Stuart Loudon (a Senior Manager) over 15% of the share capital and is making a further 5% of the company's share capital available by way of share options to staff at the company.

<i>Company name</i>	<i>Country of incorporation</i>	<i>Principal activity</i>
Hargreaves Lansdown Investment Management Limited	England and Wales	Not actively trading
Hargreaves Lansdown Pensions Limited	England and Wales	Not actively trading
Broker Focus Limited	Ireland	Not actively trading

7 DIRECTORS AND SENIOR MANAGERS

7.1 The Directors and Senior Managers of the Company and their respective functions are set out in Part IV of this document. The business address of each of the Directors and Senior Managers is the Company's registered office.

7.2 *Directors' and Senior Managers' interests*

As at the date of this Prospectus, the interests of the Directors and Senior Managers and their connected persons (all of which are beneficial unless otherwise stated) in the ordinary share capital of the Company are at the date of this Prospectus and immediately following Admission are expected to be as follows:

	<i>Number of Ordinary Shares at the date of this document</i>	<i>Percentage of the issued Ordinary Share Capital at the date of this document</i>	<i>Number of Ordinary Shares at Admission¹</i>	<i>Percentage of the issued Ordinary Share Capital at Admission</i>
<i>Directors</i>				
Peter Hargreaves ²	203,623,475	42.93	152,717,606	32.20
Stephen Lansdown ³	176,081,125	37.12	132,060,843	27.84
Martin Mulligan	2,613,600	0.55	1,788,600	0.38
<i>Senior Managers</i>				
Theresa Barry	17,985,275	3.79	13,488,956	2.84
Nigel Bence	1,050,775	0.22	748,275	0.16
Andrew Christian	5,454,350	1.15	5,454,350	1.15
Mark Dampier	1,369,500	0.29	1,259,500	0.27
Alex Davies	916,300	0.19	916,300	0.19
Lee Gardhouse	779,350	0.16	779,350	0.16
Stuart Louden	302,225	0.06	302,225	0.06
Adam Norris	16,973,000	3.58	13,948,000	2.94
Tracey Taylor	888,800	0.19	660,000	0.14
Total	<u>428,037,775</u>	<u>90.23</u>	<u>324,124,005</u>	<u>68.33</u>

All of the Directors and Senior Managers, with the exception of Peter Hargreaves and Stephen Lansdown, were each awarded 12,650 Ordinary Shares on 8 November 2006 under the SIP, in accordance with the terms set out in paragraph 10.2 of this Part X. These shares are held by the trustee of the SIP, Hargreaves Lansdown Trustee Company Limited and the above figures are exclusive of such awards.

The above figures are exclusive of any interests of Directors and Senior Managers under Share Options. Details of Share Options which have been granted to the Directors and Senior Managers as at the date of this Prospectus pursuant to the Employee Share Schemes detailed in paragraph 10 of this Part X are set out below. No other options have been granted to Directors or Senior Managers which remain outstanding as at the date of this Prospectus.

¹ Assumes that none of the Directors or Senior Managers purchases any Offer Shares under the Qualifying Offer.

² Includes 13,750,000 Ordinary Shares held prior to Admission in a trustee capacity for certain family trusts. All such Ordinary Shares held in trust will be sold as part of the Offer.

³ Includes 6,875,000 Ordinary Shares held prior to Admission in a trustee capacity for certain family trusts. All such Ordinary Shares held in trust will be sold as part of the Offer.

<i>Director</i>	<i>Type of scheme</i>	<i>Date of grant</i>	<i>Ordinary Shares under option</i>	<i>Exercise Price</i>	<i>Expiration Date</i>
Martin Mulligan	Option Scheme	February 2006	1,375,000	£0.55	February 2016
	Option Scheme	July 2006	275,000	£0.64	July 2016
	SAYE	April 2002	36,300	£0.04	November 2007
	SAYE	June 2003	17,325	£0.04	January 2009
	SAYE	March 2007	26,400	£0.55	November 2012
<i>Senior Managers</i>					
Theresa Barry	SAYE	April 2002	98,175	£0.04	November 2007
Nigel Bence	Option Scheme	July 2006	550,000	£0.64	July 2016
	SAYE	April 2002	43,450	£0.04	November 2007
	SAYE	June 2003	20,900	£0.04	January 2009
	SAYE	March 2007	28,325	£0.55	November 2012
Andrew Christian	SAYE	April 2002	36,300	£0.04	November 2007
	SAYE	June 2003	17,325	£0.04	January 2009
	SAYE	March 2007	28,600	£0.55	November 2012
Mark Dampier	Option Scheme	July 2006	550,000	£0.64	July 2016
	SAYE	April 2002	98,175	£0.04	November 2007
	SAYE	June 2003	45,375	£0.04	January 2009
	SAYE	March 2007	26,675	£0.55	November 2012
Alex Davies	Option Scheme	July 2006	412,500	£0.64	July 2016
	SAYE	April 2002	183,700	£0.04	November 2007
	SAYE	June 2003	129,525	£0.04	January 2009
	SAYE	March 2007	20,900	£0.55	November 2012
Lee Gardhouse	Option Scheme	July 2006	550,000	£0.64	July 2016
	SAYE	April 2002	127,325	£0.04	November 2007
	SAYE	June 2003	61,050	£0.04	January 2009
	SAYE	March 2007	25,575	£0.55	November 2012
Stuart Louden	SAYE	April 2002	147,400	£0.04	November 2007
	SAYE	June 2003	69,850	£0.04	January 2009
	SAYE	March 2007	25,025	£0.55	November 2012
Adam Norris	Option Scheme	February 2006	412,500	£0.55	February 2016
	SAYE	April 2002	98,175	£0.04	November 2007
	SAYE	June 2003	45,375	£0.04	January 2009
	SAYE	March 2007	26,675	£0.55	November 2012
Tracey Taylor	Option Scheme	July 2006	220,000	£0.64	July 2016
	SAYE	April 2002	229,350	£0.04	November 2007
	SAYE	June 2003	108,350	£0.04	January 2009
	SAYE	March 2007	22,550	£0.55	November 2012
Total	n/a	n/a	6,189,150	n/a	n/a

In the 12 months prior to the date of Admission, the following Directors and Senior Managers (or their connected persons) acquired Ordinary Shares in the Company, from the EBT pursuant to Share Options under the Option Scheme (Unapproved), on the following terms:

<i>Name</i>	<i>Number of Ordinary Shares acquired</i>	<i>Price paid per Ordinary Share</i>	<i>Date of acquisition</i>
Andrew Christian	2,750,000	£0.55	28 September 2006
Alex Davies	550,000	£0.64	28 February 2007
Adam Norris	1,650,000	£0.55	29 March 2007
Tracey Taylor	605,000	£0.64	29 March 2007

Save as disclosed in this paragraph, none of the Directors or Senior Managers or their connected parties has or will have immediately following Admission any interest in the share capital of the Company.

7.3 *Lock-up arrangements*

Details of restrictions relating to Ordinary Shares held by Directors and Senior Managers are set out in paragraph 6 of Part VII and paragraphs 19.7 and 19.8 of this Part X.

7.4 *Directorships and partnerships*

In addition to directorships of the Company and/or its subsidiaries listed in paragraph 6.1 above (or some only of them), set out below are the directorships (unless otherwise stated) and partnerships which the Directors have held within the five years prior to the date of this document and, including the directorships of the Company and/or its subsidiaries, the directorships and partnerships held within the five years prior to the date of this document by the Senior Managers:

<i>Directors</i>	<i>Current directorships/partnerships</i>	<i>Past directorships/partnerships</i>
Jonathan Bloomer	Cerberus UK Management Limited Cerberus European Capital Advisers LLP Lucida Plc Medihome Limited	RT Group Plc Prudential Two Limited Egg Plc Egg Banking Plc Prudential Services Limited Holborn Finance Holding Company Prudential Plc The Prudential Assurance Company Limited Skandia UK Limited EMX Company Limited Skandia Multifunds Limited Skandia Life (Pensions Trustee) Limited Skandia Life Assurance (Holdings) Limited Skandia Life Assurance Company Limited Skandia Investment Management Limited Skandia Financial Services Limited Professional Life Assurance Company Limited Gridgreat Limited Noggins Limited
Michael Evans	None	South Gloucestershire Arenas Limited EMX Company Limited
Peter Hargreaves	ITM Fuel Cells Limited ITM Power Plc	
Stephen Lansdown	Bristol City Holdings Limited Bristol City Football Club Limited BCFC Limited Ashton Gate Limited De Brock LLP	
Martin Mulligan	None	Carlrich Park (Management) Company Limited
<i>Senior Managers</i>		
Theresa Barry	Hargreaves Lansdown Asset Management Limited Hargreaves Lansdown Stockbrokers Limited Hargreaves Lansdown Fund Managers Limited Hargreaves Lansdown Pensions Direct Limited Library Information Services Limited Hargreaves Lansdown Investment Management Limited	Hargreaves Lansdown Plc

<i>Directors</i>	<i>Current directorships/partnerships</i>	<i>Past directorships/partnerships</i>
Nigel Bence	Hargreaves Lansdown Pensions Limited Hargreaves Lansdown Asset Management Limited Hargreaves Lansdown Stockbrokers Limited Hargreaves Lansdown Fund Managers Limited Hargreaves Lansdown Pensions Direct Limited Hargreaves Lansdown Investment Management Limited Hargreaves Lansdown Pensions Trustees Limited Hargreaves Lansdown Pensions Limited Hargreaves Lansdown (Nominees) Limited Library Information Services Limited	Hargreaves Lansdown Plc
Andrew Christian	Hargreaves Lansdown Asset Management Limited Hargreaves Lansdown Stockbrokers Limited Hargreaves Lansdown (Nominees) Limited Larchwell Limited	Hargreaves Lansdown Plc
Mark Dampier	Hargreaves Lansdown Asset Management Limited	None
Alex Davies	Hargreaves Lansdown Pensions Direct Limited Hargreaves Lansdown Pensions Trustees Limited City Engineering (Holdings) Limited	Worcester Terrace (Bristol) Management Company Limited
Lee Gardhouse	Hargreaves Lansdown Fund Managers Limited	None
Stuart Louden	Library Information Services Limited	Hargreaves Lansdown Asset Management Limited
Adam Norris	Hargreaves Lansdown Asset Management Limited Hargreaves Lansdown Pensions Direct Limited Hargreaves Lansdown Pensions Trustees Limited Hargreaves Lansdown Pensions Limited	Hargreaves Lansdown Plc
Tracey Taylor	Hargreaves Lansdown Asset Management Limited Hargreaves Lansdown Stockbrokers Limited Hargreaves Lansdown Fund Managers Limited Hargreaves Lansdown Pensions Direct Limited Library Information Services Limited	Hargreaves Lansdown Plc

7.5 There are no family relationships between any of the Directors, or any of the Senior Managers, or any of the Directors and Senior Managers.

7.6 *Interests in transactions*

Save as set out in paragraphs 18.2, 18.3 and 19.6 of this Part X, no Director or Senior Manager has or has had any interest, direct or indirect, in any transaction which is or was unusual in its nature or conditions or significant to the business of the Group during the current or immediately preceding financial year, or during any earlier financial year and which remains in any respect outstanding or unperformed.

7.7 *Conflicts of interest*

Save in respect of the property at Kendal House, which is leased by the Company from each of Peter Hargreaves and Stephen Lansdown acting in a personal capacity (as set out in paragraph 18.2 of this Part X), no Director or Senior Manager has any potential conflicts of interest between their duties to the Company and their private interests and/or their duties to third parties.

7.8 *Receiverships and liquidations*

At the date of this document, none of the Directors or Senior Managers has in the previous five years:

- (a) had any convictions in relation to indictable offences or convictions in relation to fraudulent offences;
- (b) been declared bankrupt or entered into an individual voluntary arrangement or been associated with any bankruptcy, receivership or liquidation in a capacity as a director;
- (c) been a director with an executive function of any company which at the time of or within 12 months following that directorship been subject to any receivership, compulsory liquidation, creditors voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with that company's creditors generally or with any class of its creditors;
- (d) been a partner in a partnership at the time of, or within twelve months preceding, any compulsory liquidation, administration or partnership voluntary arrangement of any such partnership;
- (e) owned any assets which have been the subject of any receivership or been a partner of a partnership at the time of or within the twelve months preceding, any assets thereof being the subject of a receivership; or
- (f) been subject to any public incrimination and/or sanctions by any statutory or regulatory authority (including any designated professional body) or been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

8 SERVICE AGREEMENTS OF DIRECTORS AND APPOINTMENTS OF NON-EXECUTIVE DIRECTORS

8.1 *Service agreements*

The Company has entered into the following service agreements with the following Directors, the principal terms of which are summarised below:

<i>Name</i>	<i>Title</i>	<i>Date of agreement</i>	<i>Date of commencement of continuous employment</i>	<i>Current annual salary</i>
Peter Hargreaves	Chief Executive	5 April 2007	July 1981	£350,000
Stephen Lansdown	Chairman	5 April 2007	July 1981	£275,000
Martin Mulligan	Group Finance Director	15 January 2007	December 1996	£100,000

The terms of the service agreements are the same in all material respects (save as otherwise disclosed below) and provide that:

- (a) the agreements will continue unless and until terminated by not less than 12 months written notice by either party. The Company may at any time exercise its discretion to pay the executives in lieu of the notice period;
- (b) the executives may be paid a discretionary bonus for each financial year of the Company, subject to a maximum bonus of 100% of salary in the case of Stephen Lansdown and Peter Hargreaves;
- (c) the executives' salary will be reviewed annually;
- (d) the executives are entitled to 25 days' holiday in addition to bank holidays¹;
- (e) the executives are entitled to full salary for the first 13 weeks absence through sickness or injury in any period of 12 months;
- (f) the executives are entitled to join the Company Group Personal Pension Plan, to life assurance cover of three times the executive's salary and, subject to the rules of the scheme, permanent health insurance.
- (g) the executives have no fixed hours of work but will work the number of hours which are needed for the proper performance of their duties (which will be a minimum of normal office hours);
- (h) the service agreements include clauses on confidentiality and restrictive covenants. The executives are restricted from competing with the Group in the UK for 12 months after termination of their employment and from taking orders from or soliciting customers or particular staff for 12 months after termination of their employment; and
- (i) the service agreements are terminable immediately without notice or pay in lieu of notice if (in summary) the relevant executive:
 - (i) commits any act of dishonesty or gross misconduct or other repudiatory breach of contract or is grossly incompetent in the performance of their duties;
 - (ii) commits misconduct outside of work or carries out any action or neglects to do carry out any action which materially prejudices the interests of the Company or any Associate or is convicted of any criminal offence (other than certain road traffic offences);
 - (iii) vacates, resigns or is disqualified from acting as a company director or refuses to agree to the transfer of their service agreement by way of novation;
 - (iv) becomes bankrupt or has their status as an "approved person" to carry out a "controlled function" (each as defined in the FSA Rules) withdrawn by the FSA.

Save as set out above there are no specific provisions in the service agreements providing for benefits on termination of employment.

8.2 *Non-executive Director appointments*

A summary of the key terms of the letters of appointment of Jonathan Bloomer and Michael Evans is set out below:

- (a) fees are £35,000 per annum for Michael Evans whose appointment commenced on 1 September 2006 and £50,000 per annum for Jonathan Bloomer whose appointment commenced on 18 September 2006;
- (b) both appointments are for a fixed term of three years from the respective commencement dates 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;
- (c) reimbursement of all reasonable and properly documented travel, hotel and other incidental expenses incurred in the performance of their duties; and
- (d) the Company will use reasonable endeavours to obtain and maintain appropriate directors' and officers' liability insurance for their benefit.

¹ Each of Stephen Lansdown and Peter Hargreaves are entitled to 35 days' holiday in addition to bank holidays.

Save as set out above there are no specific provisions in the service agreements providing for benefits on termination of employment.

8.3 Save as disclosed in this document, there are no service agreements, consultancy agreements or letters of engagement existing or proposed between any Director or Senior Manager and the Company.

8.4 *Summary of remuneration*

The aggregate remuneration paid (including any contingent or deferred compensation) and benefits in kind granted to each of the Directors and Senior Managers by the Group for the financial year ended 30 June 2006 was as follows:

	<i>Salary/fee</i> £	<i>Bonus</i> £	<i>Benefits</i> £	<i>Pension</i> £	<i>Total</i> £
<i>Directors</i>					
Jonathan Bloomer	Nil	Nil	Nil	Nil	Nil
Michael Evans	Nil	Nil	Nil	Nil	Nil
Peter Hargreaves	100,000	9,000,000	34,979	123,130	9,258,109
Stephen Lansdown	100,000	7,000,000	5,673	51,840	7,157,513
Martin Mulligan	100,000	275,000	Nil	2,000	377,000
Total	<u>300,000</u>	<u>16,275,000</u>	<u>40,652</u>	<u>176,970</u>	<u>16,792,622</u>
<i>Senior Managers</i>					
Total	<u>927,500</u>	<u>4,330,000</u>	<u>1,837</u>	<u>18,126</u>	<u>5,446,197¹</u>

In addition, in the financial year ended 30 June 2006 the Directors and Senior Managers were granted Share Options pursuant to the Option Scheme (Unapproved) and Ordinary Shares pursuant to the SIP as set out in paragraph 7.2 of this Part X (“Additional Information”).

8.5 *Loans and Guarantees*

Save as set out in paragraphs 18.3 and 19.6 of this Part X, there are no outstanding loans or guarantees provided by any member of the Group to or for the benefit of any Director or Senior Manager.

9 EMPLOYEES

9.1 As at 31 March 2007, the Group had 655 employees, including executive directors. The number of employees of the Group analysed by category of activity as at the financial years ended 30 June 2004, 2005 and 2006 was as follows:

	<i>2004</i>	<i>2005</i>	<i>2006</i>
Operating and support functions	295	331	381
Administrative functions	91	100	132
Total	<u>386</u>	<u>431</u>	<u>513</u>

The Group’s employees are not unionised.

9.2 The Group employs a number of staff on temporary contracts during seasonal and other peaks in activity. The average number of temporary staff employed during the financial year ended 30 June 2006 was 18, reaching a peak of 40 staff in April 2006.

¹ Includes an award of £168,734 to a Senior Manager under the phantom share scheme referred to at paragraph 10.4(a) of this Part X.

10 EMPLOYEE INCENTIVES

The Company currently has the following Employee Share Schemes under which options over and awards of Ordinary Shares have been granted:

- (a) the SAYE;
- (b) the SIP; and
- (c) the Option Scheme.

As at the date of this Prospectus, the following Share Options have been granted and are outstanding under the Employee Share Schemes:

<i>Type of scheme</i>	<i>Maximum no. of Ordinary Shares under option</i>	<i>Exercise Price</i>	<i>Exercise Dates</i>	
			<i>From</i>	<i>To</i>
SAYE	4,118,125	£0.04	June 2007	November 2007
SAYE	3,561,250	£0.04	August 2008	January 2009
SAYE	5,040,750	£0.55	May 2012	November 2012
Option Scheme (Unapproved)	1,787,500	£0.55	n/a	February 2016
Option Scheme (Unapproved)	2,667,500	£0.64	n/a	July 2016
Option Scheme (Approved)	None	n/a	n/a	n/a
Total	17,175,125	n/a	n/a	n/a

All of the Share Options granted and currently outstanding (as detailed above) can be satisfied by the transfer of existing issued Ordinary Shares held by the EBT.

The principal terms of the Employee Share Schemes are set out below.

10.1 *The SAYE*

The SAYE is approved by HMRC under the provisions of the Income Tax (Earnings and Pensions) Act 2003. The principal terms of the SAYE are as follows:

(a) *Eligibility*

All UK employees and full-time Directors of the Company and of its subsidiaries (as selected by the Directors) who have been employed for at least two years are eligible to participate in the SAYE. The Directors may offer participation to other employees or full-time Directors.

(b) *Savings Contract*

Participants will enter into a three-year or five year-savings contract with an approved savings authority for the purposes of the SAYE to make 36, or as the case may be, 60 monthly contributions of not less than £5 nor (when aggregated with savings made under any other savings-related share option plan) more than £250 per month (or such greater amount as may be permitted under the relevant legislation). If the maximum payment under the legislation was increased above £250 per month, the Directors would give careful consideration to institutional guidelines. The Directors may determine whether to offer three year and/or five year contracts. Options may only be exercised, if permissible under the SAYE rules, with the available proceeds of the savings contract.

(c) *Option Price*

The Board will determine the price per Ordinary Share at which options may be granted and exercised, which will not be less than 80 per cent. of the middle market price averaged over the three dealing days immediately preceding the date of invitation to apply for an option as derived from the Daily Official List of the UKLA (or, if higher, the nominal value of an Ordinary Share).

(d) *Grant of Options*

Each option is granted over the number of Ordinary Shares for which the aggregated option price does not exceed the total proceeds payable on maturity of the savings contract. Invitations to apply for options may normally only be made between four and 42 days after the announcement by the Company of its interim or final results each year. Invitations may also be made within 42 days of the coming into force of modifications to the legislation relating to share option plans. Invitations may be made outside these periods if the Directors consider that there are exceptional circumstances to justify the issue of invitations at that time. No payment is required for the grant of an option. Options may be granted by the Company to subscribe for new Ordinary Shares or to acquire existing Ordinary Shares.

(e) *Exercise of Options*

In normal circumstances, options may only be exercised within six months of the bonus becoming payable under the savings contract (normally the third anniversary of the commencement of a three-year savings contract and the fifth anniversary of the commencement of a five-year savings contract). An option will normally lapse if the participant ceases to be an employee of the Group. Where, however, a participant ceases to be an employee by reason of injury, disability, redundancy, retirement or a disposal of the company or business within which he works, he will have six months from the date of leaving within which to exercise his option. Options may also be exercised on a participant attaining age 65 even though he continues in employment.

If a participant dies, the option may be exercised within 12 months after his death or, if he dies during the six month period after the bonus under the savings contract becoming payable, within 12 months of the bonus becoming payable. In the event of a takeover, reconstruction, amalgamation or voluntary winding-up of the Company, options may, within the specified period after the relevant event, be exercised or in certain circumstances exchanged for options over the shares in the acquiring company or a company associated with the acquiring company. In this latter event, the consent of the acquiring company or the company associated with it would be required.

(f) *Pensionability*

Benefits received under the SAYE are not pensionable.

(g) *Terms of options and issue of ordinary shares*

Options are neither transferable nor assignable. As soon as practicable after the exercise of an option, the appropriate number of Ordinary Shares will be allotted and issued to the optionholder and the Company will apply to the UKLA for a listing of such shares. The Ordinary Shares allotted will rank *pari passu* with all other issued Ordinary Shares of the Company save that they will not rank for any dividend or other rights attaching to such shares by reference to a record date prior to their issue. Existing Ordinary Shares may also be used to satisfy the exercise of options. As stated in paragraph 10.5 below, the EBT currently holds sufficient Ordinary Shares to satisfy outstanding options under the SAYE and it is therefore anticipated that there will be no new issues of Ordinary Shares required in respect of the SAYE.

(h) *Repayment of savings*

When repayment is due under the savings contract, the participant may either exercise his option in whole or in part or simply take the cash payment. A participant may withdraw the proceeds of his savings contract earlier, but if he does so before the option is exercisable, the option will lapse.

(i) *Variation of capital*

In the event of a variation of the capital of the Company the number and option price of Ordinary Shares subject to options may be adjusted in such manner as the Board may determine and the auditors of the company confirm to be fair and reasonable, and the prior approval of HMRC is obtained.

(j) *Amendment and termination*

The Board may make amendments, but no amendment may be made which would adversely affect any rights already acquired by a participant without consent. No alteration to the advantage of participants may be made (except for minor amendments to benefit the administration of the SAYE, to take account of a change in legislation or to obtain or maintain favourable exchange control or regulatory treatment for participants or any member of the Group). No amendment to a key feature may be made without the approval of HMRC.

No option may be granted more than ten years after the SAYE's commencement date.

(k) *Limits on share capital available to the SAYE*

In any ten year period the number of unissued Ordinary Shares placed under option under the SAYE and subscribed pursuant to any other share option scheme or share incentive scheme of the Company shall not exceed in aggregate 10 per cent. of the Company's issued ordinary share capital. In applying this limit options and awards granted prior to Admission are ignored.

10.2 *The SIP*

The SIP is approved by HMRC under the provisions of the Income Tax (Earnings and Pensions) Act 2003. The principal terms of the SIP are as follows:

(a) *Eligibility*

All UK employees of the Group are in principle eligible to participate in the SIP. The Directors may also offer participation to other non-UK employees and may alter the length of service required to qualify for an award of shares to a different period.

(b) *Type of award*

From time to time, the Company may invite applications from qualifying employees in accordance with the rules of the SIP. Employees may enter into a contract to acquire Ordinary Shares in accordance with such terms as the Board may determine from time to time ("Partnership Shares"). Partnership Shares may be acquired monthly from a participant's salary or deductions may be accumulated for a period as determined by the Board, which may be no more than one year. If deductions are accumulated, the price of the shares purchased by each employee may be determined as the lower of the market value of the shares at the beginning of the accumulation period and the market value for the shares on the date the shares are acquired.

Alternatively, or, in addition to the above, the Board may, in its discretion, and in accordance with the rules of the SIP, award a number of shares to each employee being:

- (i) an outright award of Ordinary Shares ("Free Shares"), on such basis as determined by the Board; and/or
- (ii) if an employee agrees to buy a certain number of Partnership Shares, an award of Ordinary Shares ("Matching Shares"), on such basis as determined by the Board.

All shares acquired in accordance with the SIP shall be held in a trust and may be subject to a retention period to be determined by the Board. Directors of the Company may be appointed as trustees of such trust.

(c) *Individual limits*

The number of Free Shares over which awards may be granted to a qualifying employee under the SIP in any year shall be determined from time to time by the Board and may be dependent upon performance. The performance may be based on either Group, subsidiary, divisional or personal targets. The aggregate market value per employee of Free Shares subject to such awards shall not exceed the statutory maximum for HMRC approved share incentive plans (currently £3,000 per annum).

The number of Partnership Shares that a qualifying employee may acquire from his pre-tax salary under the SIP in any year shall be determined from time to time by the Board. The aggregate market value of those Partnership Shares shall not exceed the statutory maximum for HMRC approved share incentive plans (currently the lesser of £1,500 per annum or 10 per cent. of salary).

The number of Matching Shares that the Board may award if a qualifying employee has acquired Partnership Shares under the SIP in any year shall be determined from time to time by the Board but shall not exceed the statutory maximum for HMRC approved share incentive plans (currently two Matching Shares for every Partnership Share acquired).

(d) *Limits on share capital available to the SIP*

In any ten year period the number of unissued Ordinary Shares in respect of which awards may be made under the SIP and subscribed pursuant to any other share option schemes or share incentive scheme of the Company shall not exceed in aggregate 10 per cent. of the Company's issued ordinary share capital. In applying this limit options and awards which have been granted prior to Admission are ignored.

(e) *Timing of awards*

Except as otherwise provided, the grant of awards under the SIP will only be made at times permitted by the Model Code (as amended from time to time), any code adopted by the Company or regulation governing dealing in shares by which the Company is bound that may be issued from time to time.

(f) *Non-transferability of awards*

Awards are not transferable except in the case of a participant for whom a trustee is acting, in which case the trustee will be able to transfer the benefit to the participant.

(g) *Restrictions on shares and release of shares*

Partnership Shares may be withdrawn from the SIP at any time. Awards of Free Shares and Matching Shares shall be subject to a period of retention. This period shall be such period as determined by the Board from time to time, which shall not be less than three years or greater than five years. If an employee leaves the Group prior to the release of Free Shares or Matching Shares then those shares shall normally be subject to forfeiture unless the Board determines otherwise. The maximum forfeiture period is three years.

Shares held under the SIP may be subject to other restrictions as determined by the Board. Dividends received by the SIP trust may be reinvested.

In the event of a change of control of the Company, in certain circumstances shares must be either withdrawn from the SIP or exchanged for shares in the new holding company. These new shares will have the same rights and be subject to the same restrictions as the original Ordinary Shares.

(h) *Allotment and transfer of shares*

Ordinary Shares allotted will rank *pari passu* with all other issued Ordinary Shares of the Company save that they will not rank for any dividend or other rights attaching to such Shares by reference to a record date prior to their issue. Application will be made to the UKLA for a listing for new shares that are to be issued pursuant to the SIP.

(i) *Amendments*

The Company may make amendments, but no amendment may be made which would adversely prejudice to a material extent any rights already acquired by a participant. No amendment to a key feature may be made without the approval of HMRC.

(j) *General*

Any benefits granted or Ordinary Shares awarded under the SIP will not be pensionable.

10.3 *The Option Scheme*

The Option Scheme comprises of two parts, namely the "Approved Part" and the "Unapproved Part". Each part of the Option Scheme is in similar form. The Approved Part has been approved under the relevant provisions of Schedule 4 to the Income Tax (Earnings and Pensions) Act 2003. The Unapproved Part has not been so approved. The principal terms of the Option Scheme are as follows:

(a) *Administration*

The Option Scheme will be administered and the grant of options supervised by the remuneration committee of the Board.

(b) *Eligibility*

The remuneration committee may select employees and directors of the Company and its subsidiaries to whom options may be granted over Ordinary Shares.

(c) *Exercise price*

The exercise price per Ordinary Share will not be less than the average of the middle market quotations for the five dealing days immediately preceding the date of grant as derived from the Daily Official List of the UKLA or in the case of an option to subscribe, the nominal value of an Ordinary Share if higher.

(d) *Performance conditions*

The exercise of options may be made conditional on the achievement of a specified performance target determined by the remuneration committee when options are granted. The remuneration committee will determine the appropriate performance targets before any grant of options.

(e) *Grant of options*

Options may normally only be granted between six and 42 days of the announcement by the Company of its interim or final results each year. Options may be granted outside these periods if the Directors consider that there are exceptional circumstances to justify the grant of options at that time. No payment is required for the grant of an option.

(f) *Limitations on participation*

So as to comply with HMRC requirements, an individual's participation under the Approved Part is restricted by limiting the value (as at the date the option is granted) of Ordinary Shares under subsisting options to £30,000 or to such other amount as is from time to time specified by legislation.

Benefits under the Option Scheme are not pensionable.

(g) *Exercise of options*

In normal circumstances, an option may only be exercised after three years and within ten years (or such other period as the Board determines prior to the grant of an option) from its grant and, in the case of an option granted subject to the satisfaction of a performance condition, if that performance condition has been satisfied.

An option will normally lapse if the participant ceases to be an employee or director of the Group. Where, however, a participant ceases to be an employee or director by reason of injury, disability, redundancy, retirement or a disposal of the company in which he works, he will have twelve months from the date of leaving within which to exercise his option depending on the extent to which any performance conditions have been satisfied.

If a participant dies, his options may be exercised within twelve months after his death. The remuneration committee may allow a participant to exercise his option on cessation of employment in other circumstances.

In the event of a takeover, reconstruction, amalgamation or voluntary winding-up of the Company, options may within the specified period after the relevant event, be exercised, or in certain circumstances be exchanged for options over shares in the acquiring company or a company associated with the acquiring company.

When options are exercised in unapproved circumstances the Company will account through the pay-as-you-earn system for the income tax and national insurance contributions due on the option gain. Participants may be required to reimburse the Company or authorise the Company to sell sufficient shares to meet this income tax and national insurance liability.

(h) *Terms of options and issue of Ordinary Shares*

Options are neither transferable nor assignable. As soon as practicable after the exercise of an option granted over unissued shares, the appropriate number of Ordinary Shares will be allotted and issued to the option holder. The Ordinary Shares allotted will rank *pari passu* with all other issued Ordinary Shares of the Company save that they will not rank for any dividend or other rights attaching to such shares by reference to a record date prior to their issue. Existing Ordinary Shares may also be transferred to satisfy the exercise of an option. As stated in paragraph 10.5 below, the EBT currently holds sufficient Ordinary Shares to satisfy outstanding options under the Option Scheme and it is therefore anticipated that there will be no new issues of Ordinary Shares required in respect of options currently outstanding under the Option Scheme.

(i) *Variation of capital*

In the event of a variation of share capital including a capitalisation issue or rights issue or any consolidation, sub-division or reduction of capital of the Company the number and option price of Ordinary Shares subject to options shall be adjusted in such manner as the auditors of the Company confirm in their opinion is fair and reasonable subject, in the case of the Approved Part, to the prior approval of HMRC being obtained.

(j) *Amendment and termination*

The Board may make amendments, but no amendment may be made which would adversely affect any rights already acquired by a participant except with their consent. No alteration to the advantage or potential advantage of participants may be made without the prior approval of the Company in general meeting (except for minor alterations to benefit the administration of the Option Scheme, to take account of a change in legislation or to obtain or maintain favourable exchange control or regulatory treatment for participants or any member of the group).

No option may be granted after 3 October 2010.

(k) *Limits on share capital available to the Option Scheme*

In any ten year period the number of unissued Ordinary Shares placed under option under the Option Scheme and subscribed pursuant to any other share option scheme or share incentive scheme of the Company shall not exceed in aggregate 10 per cent. of the Company's issued ordinary share capital.

In any ten year period the number of unissued Ordinary Shares placed under option under the Option Scheme and subscribed pursuant to any other share option scheme for the benefit of senior employees and directors (excluding any SAYE scheme or share incentive plan) shall not exceed in aggregate 5 per cent. of the Company's issued Ordinary Share capital.

For these purposes the options and awards granted prior to Admission and referred to at the start of this paragraph 10 are ignored.

10.4 *Other incentive arrangements*

In addition to the above share incentive plans, the Company has the following other employee incentive arrangements:

- (a) The Hargreaves Lansdown Phantom Share Option Scheme (the "Phantom Plan") was adopted by the Board on 10 June 1999. There are currently three participants in the Phantom Plan. Under the rules of the Phantom Plan, the Board may invite employees to apply to defer part of any annual cash bonus in return for the grant of a bonus right over a number of notional shares in the Company. Each year, on 1 July, participants may exercise their bonus rights and receive a bonus by reference to the increase in the market value of the notional shares. Bonus rights exist over notional shares having a market value of approximately £170,000.
- (b) The Company is in the preliminary stages of granting share options to Stuart Loudon (a Senior Manager) over 15 per cent. of the share capital in Library Information Services Limited which is currently a wholly-owned subsidiary of the Company. Share options will also be granted over a further 5 per cent. of the share capital and will be made available in due course to staff at Library Information Services Limited.

10.5 *The EBT*

The EBT was established pursuant to a trust deed dated 30 June 1997 to encourage or facilitate the holding of shares in the Company for the benefit of employees or former employees of the Group and their dependents. The trustees of the EBT may acquire Ordinary Shares to enable such shares to be provided to participants in the employee shares schemes operated by the Company. The trustees of the EBT have power to acquire, hold or distribute Ordinary Shares or grant options over Ordinary Shares. Ordinary Shares may be acquired by purchase in the market or by subscription. The trustee of the EBT is the Trustee, and the directors of that company are Stephen Lansdown, Peter Hargreaves and Martin Mulligan. The Trustee holds sufficient Ordinary Shares to satisfy all outstanding Share Options under the Employee Share Schemes.

11 PENSIONS

11.1 The Company operates the following defined contribution pension schemes:

- (a) a defined contribution appropriate personal pension scheme arranged with Scottish Widows (the “PPS”). The Company contributes up to 2 per cent. of salary to the PPS as a matching contribution. Staff become eligible to join the PPS on 1 October each year, and as at 1 October 2006, 446 employees were eligible to join the PPS and 361 of those had done so;
- (b) a group personal pension plan arranged with Scottish Mutual (the “GPP”). The Company does not contribute to the GPP and it is no longer open to new members; and
- (c) small self-administered pension schemes in respect of Peter Hargreaves and Stephen Lansdown which are administered within the Company (the “SSASs”). The Company no longer contributes to these SSASs which are now fully funded within HMRC limits. Funds held within the SSASs are currently in the process of being transferred to Vantage SIPP accounts.

12 SIGNIFICANT SHAREHOLDERS

12.1 At the date of this document and immediately following Admission insofar as is known to the Directors, the only persons who are or will be interested (within the meaning of the Disclosure Rules) directly or indirectly in Ordinary Shares carrying three per cent. or more of the voting rights in the Company, together with the amount, expressed as a percentage, of each such person’s interest are as follows:

<i>Name</i>	<i>Percentage of issued Ordinary Share Capital at the date of this document</i>	<i>Percentage of issued Ordinary Share Capital immediately following Admission</i>
Peter Hargreaves ¹	42.93	32.20
Stephen Lansdown ²	37.12	27.84
EBT	6.54	3.86
Theresa Barry	3.79	2.84
Adam Norris	3.58	2.94

There are no differences between the voting rights enjoyed by the shareholders described in this paragraph 12.1 and those enjoyed by any other holder of Ordinary Shares.

As at the date of this Prospectus, so far as the Directors are aware, there is no person or persons who, whether directly or indirectly, jointly or severally, exercise or could exercise control over the Company and there are no arrangements known, the operation of which may at a subsequent date result in a change of control of the Company. Notwithstanding this, the Panel regard Peter Hargreaves, Stephen Lansdown and the Trustee of the EBT to be acting in concert for the purposes of the City Code on the basis set out in paragraph 3.4 of Part II (“Risk Factors”) of this document.

¹ Peter Hargreaves is a Director of the Company.

² Stephen Lansdown is a Director of the Company.

12.2 In accordance with the Disclosure Rules, holders of Ordinary Shares are required to notify the Company if the percentage of voting rights in the Company which they hold, whether directly or indirectly, reaches or exceeds a threshold of 3 per cent. of the total voting rights in the Company. Further notifications must be made if the percentage of voting rights held by that shareholder increases or decreases beyond a subsequent percentage point, for example if an acquisition of Ordinary Shares takes the overall voting rights held to 4 per cent. or more of the total voting rights. Notifications must be made to the Company within two business days of the date on which the shareholder becomes aware of the transaction (or having regard to the circumstances, the date on which the shareholder should have become aware of it).

13 CITY CODE AND COMPULSORY ACQUISITION RULES RELATING TO THE ORDINARY SHARES

13.1 *Mandatory offer*

The Company will be subject to the City Code. Under the City Code, if an acquisition of Ordinary Shares were to increase the aggregate holding of the acquirer and its concert parties to shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer and, depending on the circumstances, its concert parties, would be required (except with the consent of the Panel) to make a cash offer for the outstanding shares in the Company at a price not less than the highest price paid for Ordinary Shares by the acquirer or its concert parties during the previous 12 months. This requirement would also be triggered by any acquisition of shares by a person holding (together with its concert parties) shares carrying between 30 and 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage of the voting rights.

13.2 *Squeeze-out*

Under the Act, if an offeror were to acquire, pursuant to a takeover offer, 90 per cent. of the Ordinary Shares the subject of the offer within four months of making that offer, it could then compulsorily acquire the remaining 10 per cent. of the Ordinary Shares not assented to the offer. It would do so by sending a notice to outstanding Shareholders telling them that it would compulsorily acquire their shares. Six weeks later, it would be entitled to execute a transfer of the outstanding shares to it and pay the consideration to the Company, which would hold it on trust for outstanding Shareholders. The consideration offered to the Shareholders whose shares are compulsorily acquired under the Act must, in general, be the same as the consideration that was available under the takeover offer.

13.3 *Sell-out*

The Act would also give minority Shareholders in the Company a right to be bought out in certain circumstances by an offeror who had made a takeover offer. If a takeover offer related to all the shares in the Company and, at any time before the end of the period within which the offer could be accepted, the offeror held (or had agreed to acquire) not less than 90 per cent. of the Ordinary Shares, any Shareholder to which the offer related who had not accepted the offer could, by a written communication to the offeror, require it to acquire those shares.

The offeror would be required to give any Shareholder notice of his right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority Shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period under the offer. If a Shareholder exercises his rights, the offeror is entitled and bound to acquire those shares on the terms of the offeror on such other terms as may be agreed.

14 SELLING SHAREHOLDERS

14.1 It is expected that 118,579,725 Ordinary Shares will be sold in the Offer, representing 25 per cent. of the Ordinary Share Capital, by the following Selling Shareholders, the business address of each of whom is at Kendal House, 4 Brighton Mews, Clifton, Bristol BS8 2NX:

<i>Name</i>	<i>Number of Ordinary Shares as at the date of this document¹</i>	<i>Percentage of issued Ordinary Share Capital as at the date of this document¹</i>	<i>Number of Ordinary Shares being sold</i>	<i>Number of Ordinary Shares following Admission¹</i>	<i>Percentage of issued Ordinary Share Capital following Admission¹</i>
<i>Directors</i>					
Peter Hargreaves ²	203,623,475	42.93	50,905,869	152,717,606	32.20
Stephen Lansdown ³	176,081,125	37.12	44,020,282	132,060,843	27.84
Martin Mulligan	2,613,600	0.55	825,000	1,788,600	0.38
<i>Senior Managers</i>					
Theresa Barry	17,985,275	3.79	4,496,319	13,488,956	2.84
Nigel Bence	1,050,775	0.22	302,500	748,275	0.16
Mark Dampier	1,369,500	0.29	110,000	1,259,500	0.27
Adam Norris	16,973,000	3.58	3,025,000	13,948,000	2.94
Tracey Taylor	888,800	0.19	228,800	660,000	0.14
<i>Others</i>					
25 employees	8,583,025	1.81	1,927,615	6,655,410	1.40
EBT	31,032,925	6.54	12,738,340	18,294,585	3.86
Total	460,201,500	97.02	118,579,725	341,621,775	72.02

14.2 Each of the Selling Shareholders (save for the EBT) is a director and/or an employee of the Group and/or has been during the period of three years prior to Admission.

15 PROPERTY

15.1 Aside from the leasehold property interests listed below, there is no existing or planned material tangible fixed asset which is material to the business of the Group:

<i>Property</i>	<i>Use</i>	<i>Size (sq. ft.)</i>	<i>Current annual rent</i>	<i>Expiry of lease</i>
Kendal House, Clifton, Bristol ⁴	Office	18,666	£302,400	March 2011
Whiteladies House, Clifton, Bristol	Office	10,000	£121,335	May 2013
Oakfield Court, Clifton, Bristol	Office	9,000	£117,966	December 2014
Pembroke House, Clifton, Bristol	Office	8,000	£138,965	August 2010

15.2 The Group is currently exploring the possibility of relocating all offices to new premises in Bristol. Subject-to-contract negotiations are at an advanced stage for the Group to take a new lease of some 100,000 sq. ft. of office space for a period of approximately 17 years at an initial rent of £27 per sq. ft., subject to certain adjustments. Following the construction phase and fit-out works, an actual move would be likely to take place in late 2009.

15.3 The Directors are not aware of any environmental issues that may affect the Group's utilisation of the leasehold properties listed at paragraph 15.1 above.

1 Includes the interests of connected persons on the basis stated in paragraph 7.2 above.

2 Aggregate shareholding includes 13,750,000 Ordinary Shares held prior to Admission in a trustee capacity for certain family trusts. All such Ordinary Shares held in trust will be sold as part of the Offer.

3 Aggregate shareholding 6,875,000 Ordinary Shares held prior to Admission in a trustee capacity for certain family trusts. All such Ordinary Shares held in trust will be sold as part of the Offer.

4 This lease is between the Company and two of its Directors, Stephen Lansdown and Peter Hargreaves.

16 INTELLECTUAL PROPERTY

- 16.1 The Group has not registered any intellectual property rights in respect of its products, brand and trading names or know-how.
- 16.2 In addition to standard software licensed from third parties, the Group uses core applications which have been developed in-house to provide its services and products. The proprietary source information to such applications is either owned by the Company or one of its subsidiaries.

17 UNITED KINGDOM TAXATION

17.1 *General*

The comments set out below are based on existing law and what is understood to be current HMRC practice. They are intended as a general guide only and apply only to Shareholders who hold Ordinary Shares as investments (and not as an asset of a financial trade) and who are the absolute beneficial owners of those shares.

Any person who is in any doubt as to their taxation position or who is subject to taxation in any jurisdiction other than the United Kingdom should consult an appropriate professional adviser immediately.

This summary is not exhaustive and does not generally consider tax relief or exemptions.

17.2 *Taxation of Dividends*

Under current UK tax legislation, no UK tax will be withheld from any dividend paid by the Company.

An individual shareholder resident (for tax purposes) in the UK who receives a dividend from the Company will be entitled to a notional tax credit in respect of the dividend equal to 10 per cent. of the sum of the dividend plus the notional tax credit. Individual shareholders who are so resident may set off this notional tax credit against their total income tax liability. Lower and basic rate tax payers would normally have no further liability to tax on the dividend. Higher rate tax payers will be liable to tax on the sum of the dividend plus the notional tax credit at the rate of 32.5 per cent. against which liability the 10 per cent. notional tax credit can be offset – giving an effective rate of 22.5 per cent. of the gross dividend or 25 per cent. of the net dividend.

Shareholders who are not liable to income tax or corporation tax on dividends received by them from the Company will not be entitled to claim payment of the tax credit in respect of those dividends.

Subject to certain exceptions for some insurance companies, a corporate shareholder resident (for tax purposes) in the UK will not be liable to UK corporation tax on any dividend received.

A shareholder who is not resident (for tax purposes) in the UK is not generally entitled to the benefit of a notional tax credit in respect of any dividends received from the Company. Persons who are not resident (for tax purposes) in the UK should consult their own tax advisers as to the possible applicability of double tax conventions and what relief or credit may be claimed for such notional tax credit in the jurisdiction in which they are resident. Such persons may also be subject to foreign taxation on dividend income under local tax law.

17.3 *Stamp Duty/Stamp Duty Reserve Tax (“SDRT”)*

Other than in respect of depositary receipts and clearance services (to which special rules apply):

- (a) agreements to transfer Ordinary Shares within CREST will ordinarily be subject to SDRT normally at the rate of 0.5 per cent. (payable by the purchaser) on the amount or value of the consideration. The charge to SDRT arises, in the case of an unconditional agreement to transfer such shares within CREST, on the date of the agreement and, in the case of a conditional agreement, on the date the agreement becomes unconditional. The SDRT will normally be collected from the transferee by the CREST member through whom the transaction is effected and paid to HMRC on the date agreed between the HMRC and the operator of the CREST system;

- (b) there is normally no additional stamp duty or SDRT liability where Ordinary Shares are taken out of CREST (otherwise than pursuant to a transfer on sale) or where Ordinary Shares are deposited in CREST for conversion into uncertificated form (otherwise than pursuant to a transfer on sale or in contemplation of such sale). A transfer of Ordinary Shares on a CREST transfer form pursuant to a transfer on sale for conversion into uncertificated form will not generally give rise to a charge to stamp duty but will attract an SDRT liability normally at the rate of 0.5 per cent. on the amount or value of the consideration;
- (c) the conveyance or transfer on sale of Ordinary Shares outside CREST will usually be subject to *ad valorem* stamp duty at the rate of 0.5 per cent (rounded up to the nearest multiple of £5) of the amount or value of consideration paid; and
- (d) where a stamp duty liability arises, this is payable on the date of settlement or, if earlier, 10 days after the trade date. Interest and penalties are normally charged if stamp duty or SDRT are paid after the due date.

17.4 *Taxation on Disposals*

A disposal of Ordinary Shares may, depending on individual circumstances, including the availability of exemptions, reliefs and allowable losses, give rise to a liability to UK tax on chargeable gains.

Individual shareholders who are resident or ordinarily resident in the UK and who dispose of their shares will generally be liable to capital gains tax on any gain made on that disposal. The gain may be reduced by the availability of exemptions or reliefs and the deduction of allowable losses in certain circumstances.

Corporate shareholders which are resident in the UK and who dispose of their shares may be liable to corporation tax on any gain made on that disposal. Certain types of company (such as pension funds) and charities are generally exempt from corporation tax on capital gains.

Holders of Ordinary Shares who are not resident in the UK will not generally be liable to UK tax on capital gains. However, special rules may apply where an individual returns to the UK within five years of leaving having made capital gains in the meantime. In this situation, the UK may impose a “re-entry” charge on any gains made during the period of non-residence. Further special rules apply to non-UK entities such as trusts and companies which are set up by UK residents or from which UK residents might take a benefit. Local taxes may also apply in the jurisdiction in which the shareholder is resident and anyone in this position should consult their own tax advisers as to the possible application of double tax conventions and the applicability of local law.

17.5 *Inheritance tax*

Individual shareholders who are domiciled or deemed to be domiciled in any part of the UK may be liable to inheritance tax (“IHT”) on the value of any Ordinary Shares held by them. IHT may also apply to individual shareholders who are not domiciled in the UK although relief under a double tax convention may apply to those in this position. The chief occasions on which IHT is charged are on the death of the shareholder; on any gifts made during the seven years prior to the death of the shareholder; and on certain lifetime transfers – notably when shares are transferred to a trust.

18 RELATED PARTY TRANSACTIONS

- 18.1 Save as set out below and disclosed in the financial information set out in Part VI of this Prospectus, there have been no related party transactions between the Company and its associated companies or its Directors during the financial years ending 30 June 2004, 2005 or 2006 and during the period between 1 July 2006 and 27 April 2007 (the latest practicable date prior to the publication of this document).
- 18.2 The Company is party to a lease with Peter Hargreaves and Stephen Lansdown, two of the Directors, in respect of the Group’s office premises at Kendal House, Clifton, Bristol, under which the Company pays an annual rent of £302,400. The lease expires on 24 March 2011.

18.3 The Company and the Trustee entered into an unsecured loan agreement on 7 December 2005. Under the terms of that agreement, the Company loaned a sum of £14,000,000 on an interest-free repayable on demand basis to the Trustee to use for the purposes of the EBT. The Trustee applied that sum, together with a gift from the Company of £5,440,000 and £160,000 of the EBT's reserves to purchase 130,000 ordinary shares of 10p each in the Company at their then market value from two of the then directors of the Company (being 100,000 shares from Stephen Lansdown (still a Director) and 30,000 shares from Theresa Barry (now a Senior Manager)). The ordinary shares acquired were for use by the EBT in fulfilling its existing obligations under the Employee Share Schemes and future requirements under other such schemes. It is intended that such loan will be repaid by the EBT out of the proceeds of sale of Ordinary Shares sold by it.

19 MATERIAL CONTRACTS

Save as disclosed below, there are no contracts (not being contracts entered into in the ordinary course of business) which were either (i) entered into by a member of the Group within the two years prior to the date of this document and which are, or may be, material or (ii) entered into by any member of the Group and contain any provision under which any member of the Group has any obligation or entitlement which is material to the Group at the date of this document.

19.1 A share purchase agreement between the Company and Shawn McGuirk dated 2 June 2005 pursuant to which the Company acquired the remaining 60 per cent. stake in Broker Focus Limited (an Irish registered software company) from Shawn McGuirk (the other shareholder and company founder) for a consideration of £1. By making Broker Focus Limited a wholly-owned subsidiary, the Group acquired the proprietary rights to the software created for the Group by Broker Focus Limited.

19.2 A share sale agreement between HLIB and Portishead Insurance Management Limited ("PIML") dated 20 December 2005 pursuant to which HLIB sold HLI (UK) Limited (an insurance brokerage) to PIML in consideration of PIML procuring the repayment of an outstanding inter-company loan of £201,000 by HLI (UK) Limited and the payment of £1 purchase price by PIML.

On the same date, HLIB entered into an agreement with PIML to buy-back 170,300 of the ordinary shares of HLIB and 29,700 of the ordinary 'B' shares of HLIB held by PIML for £200,000. As there were insufficient distributable reserves available for the purchase, the buyback was made out of capital in accordance with section 172 of the Act. The transaction was validly approved by a written resolution of the other shareholder of HLIB, the Company.

The Company entered into a tax deed with PIML in respect of the buyback, under which the Company agreed to indemnify PIML for any tax liability arising under s.179 of the Taxation of Chargeable Gains Act 1992 (Degrouping Charges) in respect of PIML's disposal of its shareholding in HLIB. The obligation endures until 30 June 2008.

19.3 Capita Financial Administrators Limited ("Capita") provides administration and registrar services to HLFM in relation to all of the HL multi-manager funds pursuant to two agreements dated 15 May 2006, the obligations of which were novated to Capita with effect from 1 April 2007.

For the purposes of the FSA Rules, the Company considers these contracts to be material outsourcing arrangements.

19.4 A services agreement between the Company and Stralfors Plc dated 1 October 2005 under the terms of which Stralfors Plc provides critical document printing and mailing services to the Company

For the purposes of the FSA Rules, the Company considers this contract to be a material outsourcing arrangement.

19.5 A share sale agreement between the Company, Fidelity Investment Management Limited, Invesco Fund Managers Limited, M&G Limited, Skandia Life Assurance (Holdings) Limited, Threadneedle Asset Management Holdings Limited and Euroclear SA/NV ("Euroclear") dated 8 December 2006 pursuant to which the Company sold its 9 per cent. minority shareholding in EMX Company Limited ("EMX") to Euroclear for an initial consideration of £1,900,000, with further deferred consideration of up to approximately £830,000 payable according to EMX's future trading performance.

Under the terms of this agreement, the Company (together with HLAM, HLS and HLPD) must for three years from completion (1 January 2007) route orders for collective investment funds through the EMX system (wherever possible and practicable), must use reasonable endeavours to use EMX's fund settlement services and should also encourage other product providers to do the same. Additionally, the Company has committed for the next three years to assist Euroclear in seeking to obtain a number of regulatory changes to the laws relating to the holding and transfer of fund units. This assistance will involve the Company providing representatives to sit on various technical and policy working groups to be established by Euroclear.

Under the terms of this agreement, the Company also gave standard business warranties to Euroclear for a period of two years from completion, entered into standard restrictive covenants relating to EMX's staff and customers, and covenanted not to compete with EMX in the field of electronic fund exchanges for a period of two years from completion.

- 19.6 Between 28 February 2007 and 29 March 2007, the Trustee entered into certain arms-length arrangements with Lloyds TSB Bank plc ("Lloyds") and certain holders of Share Options in the Option Scheme (unapproved) (the "Exercising Option-holders"). The Exercising Option-holders consisted of various senior employees, including Alex Davies, Adam Norris and Tracey Taylor (all of whom are Senior Managers). Lloyds agreed to lend the Exercising Option-holders sufficient money for them to exercise some of their Share Options, which were satisfied by transfers of ordinary shares of 10p from the Trustee to the Exercising Option-holders.

The Trustee entered into individual agreements with each Exercising Option-holder and Lloyds. Under those agreements, the Trustee agreed to purchase the acquired shares back from the Exercising Option-holder at a price of £25 per share (which figure should be adjusted to take account of the share reorganisation described at paragraph 3.4 of this Part X) less than the exercise price paid if either the Exercising Option-holder or Lloyds serve notice on the Trustee (such notice not to be given within 12 months of the date of the agreement) or upon certain specified events of default. The rights of the Exercising Option-holders and Lloyds under the Buyback Option Agreements will cease upon Admission.

As part of these arrangements the Trustee charged to Lloyds the amount that would be required to satisfy all of its potential obligations under the Buyback Option Agreements.

19.7 *Sponsorship and Underwriting Agreement*

The Company, the Directors and the Selling Shareholders have entered into a Sponsorship and Underwriting Agreement dated 30 April 2007 with Citigroup Global Markets Limited, Citigroup Global Markets U.K. Equity Limited and Numis (Citigroup Global Markets U.K. Equity Limited and Numis together being the "Underwriters" and together with Citigroup Global Markets Limited the "Banks"). Under the terms of the Sponsorship and Underwriting Agreement, subject to certain conditions, the Underwriters have severally agreed to use reasonable endeavours to procure purchasers for or, failing which, to purchase the Offer Shares allocated to the Institutional Offer at the Offer Price.

The Sponsorship and Underwriting Agreement contains, amongst others, the following provisions:

- (a) the Company has appointed Citigroup Global Markets Limited as sponsor, Citigroup Global Markets U.K. Equity Limited as sole global co-ordinator, sole bookrunner and co-lead manager in relation to the Offer and Numis as co-lead manager in relation to the Offer;
- (b) the obligation of the Selling Shareholders to sell the Offer Shares allocated to the Institutional Offer and the obligation of the Banks to purchase the Offer Shares allocated to the Institutional Offer is conditional upon certain conditions that are typical for an agreement of this nature. These conditions include, amongst others, (i) the execution of the pricing memorandum setting out the number of Ordinary Shares to be sold pursuant to the Offer and the Offer Price and (ii) Admission occurring on or before 8.00 a.m. on 18 May 2007 or such later time or date as the Company and the Banks may agree in writing;

- (c) the Banks have the ability to terminate the Sponsorship and Underwriting Agreement prior to Admission in certain circumstances including if trading in securities generally on the London Stock Exchange or the New York Stock Exchange is suspended or limited or a banking moratorium is declared in London or by the US federal or New York State authorities;
- (d) the Selling Shareholders have agreed to pay the Underwriters commission at the rate of up to 2.5 per cent. of the aggregate gross proceeds of the Institutional Offer, the precise rate depending upon the final Offer Price;
- (e) the Company has agreed to pay or cause to be paid (together with any applicable value added tax) certain costs, charges, fees and expenses of, or in connection with, or incidental to, amongst other things, the admission of the Ordinary Shares to the Official List of the UK Listing Authority and admission to trading on the London Stock Exchange, out of pocket expenses of the Banks and the fees and disbursements of the Banks' counsel in connection with the transactions contemplated in the Sponsorship and Underwriting Agreement;
- (f) the Company, the Directors and the Selling Shareholders have given certain customary warranties, representations and undertakings to the Banks including, amongst others, and as appropriate, warranties in relation to the business, the accounting records and the legal compliance of the Company and in relation to the information contained in this document. The Company and the Selling Shareholders have agreed to indemnify the Banks against certain liabilities, including, and as appropriate, in respect of the accuracy of the information contained in this prospectus, losses arising from a breach of the Sponsorship and Underwriting Agreement and in respect of certain other losses suffered or incurred in connection with the Offer;
- (g) the Company has agreed to certain lock-up arrangements with the Banks pursuant to the Sponsorship and Underwriting Agreement whereby the Company has agreed for a period of 180 days from Admission (subject to certain exceptions) not to directly or indirectly offer, sell or contract to sell, pledge or otherwise dispose of (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition of) Ordinary Shares of the Company or any substantially similar securities or do anything with the same economic effect as the foregoing;
- (h) each of the Directors has undertaken to each of the Underwriters and the Company (and the Company has agreed to procure that Senior Managers not a party to the Sponsorship and Underwriting Agreement will undertake to each of the Underwriters and the Company) not, without the prior written consent of the Underwriters and the Company, to offer, sell or contract to sell, pledge or otherwise dispose of Ordinary Shares (directly or indirectly) held on Admission and not sold as part of the Offer other than in certain limited circumstances. The restrictions shall apply as follows:
 - (i) prior to the announcement of the Group's results (whether by way of preliminary announcement or otherwise) (a "Results Announcement") for the financial year of the Company ending on 30 June 2008, to all of their Ordinary Shares held immediately following Admission ("Locked-in Shares");
 - (ii) following the Results Announcement for the financial year of the Company ending on 30 June 2008 but prior to the Results Announcement for the financial year of the Company ending on 30 June 2009, to such number of Shares as is equal to 75 per cent. of the total number of Locked-in Shares;
 - (iii) 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
 - (iv) 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.

Such persons have further agreed to abide by certain orderly marketing restrictions until the Results Announcement for the financial year ending 30 June 2012.

The Sponsorship and Underwriting Agreement is governed by English law.

- 19.8 Lock-up undertakings have been given by certain employee Shareholders to the Company on the basis set out in paragraph 6.3 of Part VII (“Details of the Offer”) of this document.

20 WORKING CAPITAL

- 20.1 The Company is of the opinion that the working capital available to the Group is sufficient for its present requirements, that is for at least the twelve months from the date of this Prospectus.

21 LEGAL AND ARBITRATION PROCEEDINGS

- 21.1 No member of the Group is, or has been, engaged in any governmental legal or arbitration proceedings and, so far as the Company is aware, there are no such proceedings pending or threatened against or being brought by any member of the Group, which are having or may have or have had during the twelve months preceding the date of this document a significant effect on the Group’s financial position or profitability.

22 SIGNIFICANT CHANGE

- 22.1 There has been no significant change in the financial or trading position of the Group since 31 December 2006, being the date to which the financial information of the Group set out in Section A of Part VI (“Financial Information on the Group”) of this document is drawn up.

23 GENERAL INFORMATION

- 23.1 The Company’s sole global co-ordinator, sole bookrunner and sponsor for the Admission is Citi.
- 23.2 Deloitte has given and not withdrawn its written consent to the inclusion in this document of its Accountant’s Report set out in Section B of Part VI of this document and has authorised the contents of such report for the purposes of Rule 5.5.3(2)(f) of the Prospectus Rules.
- 23.3 Other than the current application for Admission, the Ordinary Shares have not been admitted to dealings on any investment exchange nor has any application for such admission been made nor are there intended to be any other arrangements for there to be dealings in the Ordinary Shares.
- 23.4 The Company’s auditors are Deloitte & Touche LLP, of 3 Rivergate, Temple Quay, Bristol BS1 6GD, a member of the Institute of the Chartered Accountants in England and Wales. The accounting reference date of the Company is 30 June. Until 26 April 2006, the Company’s auditors were Ernst & Young LLP of 1 Bridewell Street, Bristol, also a member of the Institute of the Chartered Accountants in England and Wales.
- 23.5 The expenses of or incidental to the Offer and Admission payable by the Company are estimated to amount to approximately £3 million, excluding value added tax.
- 23.6 No share certificates will be despatched. It is expected that Shareholders’ CREST stock accounts or their Vantage share accounts will be credited on 18 May 2007. No temporary documents of title will be issued. The Registrars are responsible for the maintenance of the Company’s register of members.
- 23.7 All stamp duty/SDRT payable on the transfer of Ordinary Shares to applicants under the Offer will, pursuant to the Sponsorship and Underwriting Agreement, be discharged by the Selling Shareholders.
- 23.8 The Directors are not aware of any exceptional factors which have influenced the Group’s activities.
- 23.9 Save for the Trustee of the EBT, which under an agreement dated 30 June 1997 waived the right to all dividends on Ordinary Shares held on behalf of the EBT pursuant to the Employee Share Schemes, there are no arrangements in existence under which future dividends are to be waived or have been agreed to be waived.

24 FORWARD LOOKING STATEMENTS

24.1 This document includes “forward-looking statements” which include all statements other than statements of historical facts, including, without limitation, those regarding the Group’s financial position, business strategy, plans and objectives of management for future operations (including development plans and objectives relating to the Group’s products and services), or any statements preceded by, followed by or that include the words “targets”, “believes”, “expects”, “aims”, “intends”, “will”, “may”, “anticipates”, “would”, “could” or similar expressions or the negative thereof. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond the Group’s control that could cause the actual results, performance or achievement of the Group to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Group’s present and future business strategies and the environment in which the Group will operate in the future. Among the important factors that could cause the Group’s actual results, performance or achievements to differ materially from those in forward-looking statements are those in Part II (“Risk Factors”), Part V (“Operating and Financial Review”), and elsewhere in this document. These forward-looking statements speak only as at the date of this Prospectus. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein to reflect any change in the Group’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based unless required to do so by applicable law or the Prospectus Rules, Disclosure Rules or Listing Rules.

25 FINANCIAL PRESENTATION AND CURRENCIES

25.1 Financial information in this document comprises information for the financial years ended 30 June 2004, 2005 and 2006 for Hargreaves Lansdown (the “financial years 2004, 2005 and 2006”, respectively) and the six month periods ended 31 December 2005 and 2006 and has been extracted without material adjustment from Part VI (“Financial Information on the Group”) of this document or from the accounting records which form the underlying basis of the financial statements on which the Financial Information on the Group is based. Information regarding “assets under administration” or “assets under management” as at 31 March 2007 has been sourced from the Group’s unaudited accounting records.

25.2 The financial information for the six month period ended 31 December 2005 is unaudited and has been provided as a comparison to the financial information for the six month period ended 31 December 2006. This financial information has been prepared using the Group’s management accounts. Save as set out in paragraph 25.1 above, all financial information relating to the Group produced in this document as at a date subsequent to 31 December 2006 has been reproduced without adjustment from the unaudited management accounts of the Group for the relevant month. Financial information relating to accounting periods prior to the financial year ended 30 June 2004 has been sourced from the audited accounts of the Group for the relevant period.

25.3 Unless otherwise indicated, financial information in this document has been prepared and presented in accordance with IFRS as modified by certain accounting conventions commonly used for the preparation of historical financial information for inclusion in investment circulars as described in the Annexure to SIR 2000 (Investment Reporting Standard applicable to public reporting engagements on historical financial information) issued by the UK Auditing Practices Board and as described in note 1 to the historical financial information set out in Part VI (“Financial Information on the Group”).

25.4 Certain figures contained in this document, 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.

25.5 All references in this document to “pounds Sterling”, “pence”, “£” or “p” are to the lawful currency of the United Kingdom. The Group prepares its financial statements in pounds Sterling.

25.6 All references in this document to “assets under administration”, “assets under management” or similar are, unless expressly stated to the contrary, current as at 31 March 2007, and no representation is made that the value of such assets are unchanged as at the date of this document or will be unchanged on Admission.

26 PRESENTATION OF OTHER INFORMATION

26.1 All information in this document relating to Hargreaves Lansdown’s clients, including the number of clients and nominee or Vantage accounts has been derived from the Group’s client database and management reporting systems.

26.2 The Prospectus includes market share and industry data which were obtained by the Group from industry publications and surveys and internal company surveys as well as third party providers of market and statistical information on the UK financial services sector. Such third party providers of information include Datamonitor, Datastream, the Association of British Insurers and the Investment Management Association. Where third party information has been used in this Prospectus, the source of the information has been identified and the information has been accurately reproduced. As far as the Company is aware, and is able to ascertain from information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

26.3 Various references are made in this document to the current tax treatment in the United Kingdom. Prospective investors should be aware that taxation legislation in the United Kingdom and elsewhere may change at any time.

26.4 All times referred to in this document are, unless otherwise stated, references to the time in London, England.

26.5 Certain terms used in this document, including all capitalised terms and certain technical and other items, are defined and explained in the “Definitions” and “Glossary” sections at the end of this document.

27 ENFORCEMENT OF JUDGMENTS

27.1 The Company is a public company incorporated under the laws of England and Wales. The majority of the Company’s assets are located in the United Kingdom and all of the Directors are citizens or residents of the United Kingdom. As a result, it may not be possible for investors to effect service of process outside the United Kingdom upon the Company or such persons or to enforce judgments obtained against the Company or such persons outside the United Kingdom.

28 DOCUMENTS ON DISPLAY

28.1 Copies of the following documents will be available to the public for inspection during normal office hours, Saturdays, Sundays and public holidays excepted, at the offices of Burges Salmon LLP at Narrow Quay House, Narrow Quay, Bristol BS1 4AH and at Holbrook House, 14 Great Queen Street, London WC2B 5DG from the date of this document until the date of Admission:

- (a) the memorandum of association and articles of association of the Company;
- (b) the financial information on the Group and report of Deloitte contained in Part VI (“Financial Information on the Group”) of this document; and
- (c) the letter of consent referred to in paragraph 23.2 above.

29 ASSUMPTIONS

29.1 Unless the context otherwise requires or it is expressly provided to the contrary, the information in this document assumes:

- (a) the Offer Price is 150p, the mid-point of the Indicative Offer Price Range;
- (b) 118,579,725 Ordinary Shares are being sold by the Selling Shareholders under the Offer;
and
- (c) Admission will occur on 18 May 2007.

30 April 2007

Definitions

The following definitions apply throughout this document, unless the context requires otherwise:

Accountant's Report	the accountant's report relating to the Company out in Section B of Part VI ("Financial Information on the Group") of this document
Act or Companies Act	the Companies Act 1985 (as amended)
Admission	admission of the Ordinary Shares to the Official List and to trading on the London Stock Exchange's market for listed securities becoming effective in accordance with the Listing Rules and the Admission and Disclosure Standards of the London Stock Exchange
Application	an application by a Qualifying Client or Qualifying Employee for Offer Shares in the Qualifying Offer made in accordance with the Application Procedure
Application Procedure	the online procedure on the Website to be followed in order to apply for Offer Shares in the Qualifying Offer
Assumptions	the assumptions set out in paragraph 29 of Part X ("Additional Information") of this document
Audit Committee	a sub-committee of the Board with formally delegated duties and responsibilities for financial reporting, risk reporting and corporate control
Articles	the articles of association of the Company
Board	the board of directors of the Company
Capital Requirements Directive	the Capital Requirements Directive, comprising Directive 2006/48/EC and Directive 2006/49/EC
Central Services	the Group's revenues from activities outside its five main business units, including client subscriptions for information services and publications and interest on client funds in certain accounts for which the Group acts as agent
Citi	Citigroup Global Markets Limited whose address is set out on page 19 of this Prospectus when referred to in its capacity as sponsor and Citigroup Global Markets U.K. Equity Limited whose address is set out on page 19 of this Prospectus when referred to in its capacity as sole global co-ordinator, sole bookrunner and co-lead manager
City Code	the City Code on Takeovers and Mergers
Combined Code	the combined code principles of good governance and code of best practice published by the Financial Reporting Council
Companies Act 2006	those provisions of the Companies Act 2006 in force at the date of this Prospectus
Company	Hargreaves Lansdown Plc, a company registered in England and Wales with registered number 02122142
CREST	the relevant system (as defined in the CREST Regulations) operated by CRESTCo in accordance with which securities may be held or transferred in uncertificated form
CRESTCo	CRESTCo Limited, a company incorporated under the laws of England and Wales
CREST Regulations	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755)
Deloitte	Deloitte & Touche LLP whose address is set out on page 19 of this Prospectus
Directors	the directors of the Company, whose names are set out in Part IV ("Directors and Senior Managers") of this Prospectus

Disclosure Rules	the disclosure and transparency rules made by the FSA under Part VI of FSMA
EBT	the Hargreaves Lansdown Employee Benefit Trust
EEA	the European Economic Area
Employee Share Schemes	the employee share option schemes described in Part X (“Additional Information”) of this Prospectus, being the SAYE, the Option Scheme and the SIP
Executive Directors	Peter Hargreaves, Stephen Lansdown and Martin Mulligan
FSA	the Financial Services Authority
FSA Rules	the rules made by the FSA under FSMA
FSMA	the Financial Services and Markets Act 2000
Group	the Company and its subsidiaries from time to time or any one or more of them, as the context may require
Hargreaves Lansdown	the Company and, as the context requires, the business of the Group as carried on by the Group or any prior member of the Group at any time
HLAM or Hargreaves Lansdown Asset Management	Hargreaves Lansdown Asset Management Limited, a company registered in England and Wales with registered number 1896481
HLFM or Hargreaves Lansdown Fund Managers	Hargreaves Lansdown Fund Managers Limited, a company registered in England and Wales with registered number 2707155
HLIB or Hargreaves Lansdown Insurance Brokers	Hargreaves Lansdown Insurance Brokers Limited, a company registered in England and Wales with registered number 1874058
HLPD or Hargreaves Lansdown Pensions Direct	Hargreaves Lansdown Pensions Direct Limited, a company registered in England and Wales with registered number 3509545
HLS or Hargreaves Lansdown Stockbrokers	Hargreaves Lansdown Stockbrokers Limited, a company registered in England and Wales with registered number 1822701
HL multi-manager funds	the Group’s own unit trusts, consisting of the HL Multi-Manager Balanced Managed Trust, the HL Multi-Manager Special Situations Trust, the HL Multi-Manager Income and Growth Portfolio Trust and the HL Multi-Manager Cautious Managed Trust.
HMRC	Her Majesty’s Revenue & Customs
IFRS	International Financial Reporting Standards
Indicative Offer Price Range	the indicative range of prices set out in this document or otherwise published by the Company between which the Offer Price is expected to be set (although the Offer Price may be set above or below this range) as described in Part VII (“The Offer”) of this document
Institutional Offer	the part of the Offer being made to institutional investors outside the United States
Joint Lead Managers	Citi and Numis
Lexicon	Lexicon Partners Limited whose address is set out on page 19 of this Prospectus
Library Information Services	Library Information Services Limited, a company registered in England and Wales with registered number 2264702
Listing Rules	the listing rules issued by the UKLA relating to companies listed on the Official List made under Part VI of FSMA
London Stock Exchange	London Stock Exchange plc
MIFID	the Markets in Financial Instruments Directive (Directive No 2004/39/EC)

Model Code	the model code published by the UKLA at Annex 1 of the Listing Rules
Nominations Committee	a sub-committee of the Board with responsibility for the composition of the Board and consideration of appointment to it
Non-executive Directors	Jonathan Bloomer and Michael Evans
Numis	Numis Securities Limited whose address is set out on page 19 of this Prospectus
Offer	the offer for sale of the Offer Shares pursuant to the Institutional Offer and the Qualifying Offer as described in this Prospectus
Offer Price	the price at which each Ordinary Share is to be sold under the Offer
Offer Shares	118,579,725 Ordinary Shares, to be sold under the Offer on behalf of the Selling Shareholders
Official List	the Official List of the UKLA
Operating Profit Margin	operating profit margin calculated as operating profit excluding exceptional administrative expenses divided by total operating income
Option Scheme	the Hargreaves Lansdown Company Share Option (2000) Scheme
Ordinary Share Capital	474,318,625 Ordinary Shares, being the entire issued share capital of the Company
Ordinary Shares	ordinary shares of 0.4 pence each in the Company
Panel	the panel on takeovers and mergers which administers the City Code
Prospectus	this document
Prospectus Rules	the prospectus rules made by the FSA pursuant to Part VI of FSMA
Qualifying Client	an individual who, as at 11.59pm on 5 April 2007 was a client of the Group and whom the Directors, in their sole discretion, determine to be eligible to participate in the Qualifying Offer having regard, amongst other things and without limitation, to the size and nature of their investments under management or administration with the Group
Qualifying Employee	an individual who, as at 11.59pm on 5 April 2007 was aged 18 or over and employed by the Group other than on a temporary basis
Qualifying Offer	an offer to Qualifying Clients and Qualifying Employees
Receiving Agent	HLAM
Registrars	Lloyds TSB Registrars, whose address is set out on page 20 of this Prospectus
Regulated Subsidiaries	means each of HLAM, HLFM, HLPD and HLS.
Regulation S	Regulation S under the Securities Act
Remuneration Committee	a sub-committee of the Board with responsibility to ensure that the Board are fairly remunerated
SAYE	the Hargreaves Lansdown 1999 Savings-Related Share Option Scheme
Securities Act	the US Securities Act of 1933
Selling Shareholders	those Shareholders who are selling Ordinary Shares in the Offer, namely Peter Hargreaves, Stephen Lansdown, Martin Mulligan, Theresa Barry, Nigel Bence, Mark Dampier, Adam Norris, Tracey Taylor, 25 other employees and the Trustee of the EBT
Senior Managers	the senior management of the Company, whose names are set out in Part IV of this Prospectus

Shareholders	holders of Ordinary Shares
Share Options	options to acquire Ordinary Shares in the Company granted pursuant to the Employee Share Schemes
SIP	the Hargreaves Lansdown Plc Share Incentive Plan
Sole Bookrunner	Citi
Sole Global Co-ordinator	Citi
Sponsor	Citi
Sponsorship and Underwriting Agreement	the Sponsorship and Underwriting Agreement entered into between the Company, Citi, the Directors, the Underwriters and the Selling Shareholders on 30 April 2007 as supplemented by a pricing memorandum on or about the date of announcement of the Offer Price
Trustee	Hargreaves Lansdown EBT Trustees Limited, a company registered in England and Wales with registered number 3398693 as corporate trustee of the EBT
UCITS Directive	the Undertakings for Collective Investment in Transferable Securities regulations under Directive No 85/611/EEC, as amended
UK GAAP	generally accepted accounting principles in the United Kingdom
UKLA	the UK Listing Authority, being the FSA acting as the competent authority for the purposes of Part VI FSMA
Underwriters	Citi and Numis
United Kingdom or UK	the United Kingdom of Great Britain and Northern Ireland
United States or US	the United States of America
Vantage	a trading name for the Group's fund supermarket and wrap platform
Vantage Fund and Share Account	an account of that name offered by the Group to its clients through which, <i>inter alia</i> , they may hold investments (via a nominee) and cash, deal in such investments and access information concerning their portfolios
Website	the website at http://www.H-L.co.uk

Glossary

The following definitions apply to terms as they are used in this document and should not be applied generally for any other purpose or to any other document:

ABI	the Association of British Insurers, a trade association for the UK's insurance industry
A-Day	6 April 2006, being the date on which extensive reform aimed at simplifying pensions regulation in the UK took effect
annual premium equivalent	a measure widely used by the UK life assurance industry to calculate levels of insurance new business, smoothing out the effect of single premium payments. Annual premium equivalent is calculated as the aggregate of regular new business premiums and one-tenth of single premiums written during the applicable period
advisory/Advisory	the provision of investment advice to clients which leaves decision making to the client
bear market	a prolonged period in which investment prices fall, accompanied by widespread deterioration in investor sentiment
bond	a debt instrument typically issued for a period of more than one year, with the purpose of raising capital by borrowing
Broker Focus	the Group's bespoke IT application to support client accounting and investment management
bull market	a prolonged period in which investment prices rise, accompanied by widespread positive investor sentiment
CFDs	contracts for differences, being agreements between two parties to exchange the difference between the closing price of the contract and the opening price of the contract
collective investment funds	unit trusts and OEICs
Corporate Solutions	a trading name of Hargreaves Lansdown Pensions Direct which provides advice to companies on their pensions strategies
covered warrants	an entitlement to buy a specific amount of securities (equities) in a company at a specific price, issued by an investment bank or other financial institution, and not by the company itself
defined benefit pension scheme	a pension scheme the payments under which on retirement are typically linked to an employee's final salary prior to retirement
discretionary management/ Discretionary	management of clients' investment portfolios on terms which confer investment discretion on the investment manager, so that investments may be bought and sold without reference back to the client
equities	shares in the ordinary share capital of publicly quoted companies
execution-only	when a broker buys or sells investments for a client but offers no advice about what to buy and sell
Financial Practitioners	the IFAs employed by the Group
fund supermarket	a service that provides access to a variety of collective investment funds from different fund providers
Funds Library	the Group's online fund data repository specifically designed to meet the needs of professional data users and provide investors with fund information via an easy to use online portal. Funds Library is owned and operated via Library Information Services Limited, a member of the Group.
FX trading	foreign exchange trading i.e. trading in instruments such as paper currency issued to make payments between countries
gilts	government issued fixed income securities

Group Personal Pensions	a series of individual personal pension plans offered or made available by a company or group of companies to its employees
group SIPPs	a series of individual SIPPs offered or made available by a company or group of companies to its employees
Group Stakeholder Pensions	a series of individual stakeholder pension plans offered or made available by a company or group of companies to its employees
hedge funds	an investment fund, usually used by wealthy individuals and institutions, which is allowed to use aggressive strategies that are unavailable to collective investment funds, including selling short, leverage, swaps, arbitrage and derivatives
IFA	an independent financial adviser, being a person in relation to whom the FSA has given its approval under section 59 of FSMA to advise clients in relation to financial products across the entire market
initial commission	initial commission paid by a fund management company to an intermediary such as an IFA
internet	the publicly available international network of computers communicating using the internet protocol
investment trusts	a closed-end fund, typically established in the UK as a public limited company the shares of which are traded on the Official List, established to make investments and, unlike collective investment funds, having a fixed share capital
ISA	an individual savings account, being a tax favoured savings account introduced on 6 April 1999 and conferring a tax-free wrapper in which to shelter investments
IT	information technology
multi-manager or funds of funds	collective investment funds which invest in other collective investment funds
nominee	a person or company nominated by another to hold investments on his behalf
OEIC	an open-ended investment company (or investment company with variable capital) regulated in the UK by the FSA which allows private investors to pool their money in a single fund thus spreading risks, gaining professional fund management and reducing dealing costs
PEP	a personal equity plan where persons over the age of 18 could formerly invest in shares of UK and other European Community companies via an approved plan, manager or through qualifying unit trusts or investment trusts and receive both income and capital free of tax. PEPs were discontinued on 6 April 1999 and replaced by ISAs, but existing PEPs have been allowed to remain in existence with similar tax privileges
PMS	the Group's discretionary portfolio management service
renewal commission	ongoing commission paid periodically by a fund management company to an intermediary and linked to the retention by that intermediary's client of the product sold by that company
Share Shop	a retail stockbroker authorised and appointed by the government to act on UK privatisations. Private investors wishing to acquire shares in a privatisation were required to submit their applications through share shops
SIPP	a self-invested personal pension, which gives the policy holder more choice about the investments held

spread betting	a form of investing which involves an investor placing a stake in anticipation of a price movement. The return to the investor depends on the level of the stake and degree of movement in the price
Spidermail	the Group's bespoke IT application to support targeted marketing
Third Party	the categorisation of investment products which are sold by the Group but not held in Group nominee accounts or in Vantage
Third Party Investments	the investments sold by the Group on a Third Party basis
unit trust	a trust regulated in the UK by the FSA which allows private investors to pool their money in a single fund thus spreading risks, gaining professional fund management and reducing dealing costs
Vantage	the Group's fund supermarket and wrap platform
VCTs	Venture Capital Trusts; closed-ended funds established in the UK as public limited companies the shares of which are traded on the Official List conferring favourable tax treatment for certain shareholders if invested in accordance with certain rules and guidelines
wrap	an account in which the provider enables an intermediary or investor to hold a wide range of investments, whether inside or outside a tax efficient vehicle
wrap platform	the software and systems through which a wrap is made available to an investor

