HARGREAVES LANSDOWN PLC
REPORT AND FINANCIAL STATEMENTS

for the year ended 30 June 2007

HARGREAVES
LANSDOWN

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About us

Hargreaves Lansdown distributes investment products and attracts high quality earnings based upon the value of investments under administration or management.

Our success can be attributed to innovative marketing, a high retention of clients, through the provision of first class service and information and a unique direct selling model which is cost effective, scalable and affords a high profit margin.

Our aim

We aim to help investors make more of their investments by providing the best information, the best service and the best prices in a manner which creates most value for our shareholders.

2006/07 highlights:

- Total assets under administration increased by 67% to £10.2 billion at 30 June 2007, including £0.8 billion of Hargreaves Lansdown plc shares held in Vantage
- Revenue increased by 34% to £98.8 million
- Underlying operating profit increased by 67% to £40.7 million
- Underlying operating profit margin increased from 33% to 41%
- The Company listed on the main market of the London Stock Exchange in May 2007. In September 2007 the Company entered the FTSE 250.

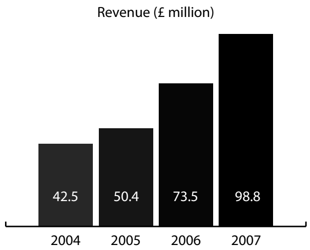
Financial Highlights

	2007	2006	Increase %
Revenue	**£98.8m**	£73.5m	**34%**
Proportion of recurring revenue	**65%**	61%	**4 pts**
Underlying operating profit (*)	**£40.7m**	£24.3m	**67%**
Underlying operating profit margin	**41%**	33%	**8 pts**
Total assets under administration (**)	**£10.2 bn**	£6.1 bn	**67%**
Underlying diluted earnings per share (***)	**6.4p**	4.2p	**52%**

(*) Operating profit before taxation and exceptional administrative expenses
(**) Includes £805 million of Hargreaves Lansdown plc shares held in Vantage
(***) Based upon earnings before exceptional administrative expenses and investment gains, and the full issued share capital

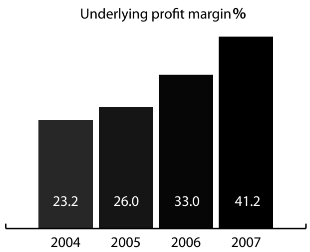
• 34% increase in revenue

Revenue increased by 34 per cent to £98.8 million, principally due to an increase in revenue of £23.6 million across the Vantage, Discretionary and Advisory divisions resulting from increased assets under administration and management and a full year's revenue on assets secured in the previous year. The proportion of recurring revenue i.e management fees, renewal commission and interest, increased from 61% to 65%.



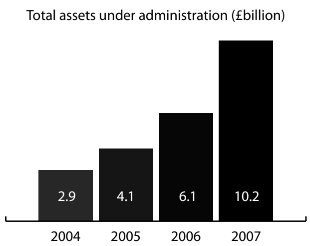
• 41% underlying operating profit margin

The Group's operating margin increased from 33 per cent to 41 per cent. The increase resulted from revenue growth, driven by higher asset values, which did not necessitate an equivalent rise in costs.



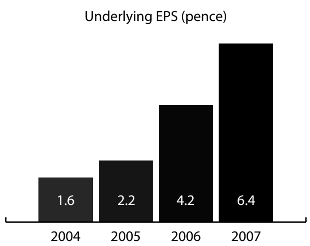
• £10.2 billion total assets under administration

The 67 per cent growth in asset values is attributable to strong new business volumes, the addition of Hargreaves Lansdown shares to the platform (£805 million as at 30 June 2007), and market growth. The FTSE All Share index increased by 15 per cent during the year, from 2967.58 to 3404.14.



• 52% increase in underlying diluted EPS

From 4.2 pence to 6.4 pence.



• £13.4 million of investment revenue and other gains

This is primarily due to the disposal of a number of investments during 2007, including holdings in EMX Company Limited and the London Stock Exchange plc which resulted in net gains of £11.9 million.

Our business

Hargreaves Lansdown offers a range of investment products, investment services, financial planning and advice. We have established a reputation for providing high quality service and value-for-money products to private investors, whether they are making their own investment decisions or looking for an advisory or discretionary service.

The Group's flagship service, Vantage, is a direct-to-private investor fund supermarket and wrap platform. Vantage offers clients the administrative convenience of being able to hold and manage their investments, including unit trusts, OEICs, equities, bonds, investment trusts and cash, irrespective of the tax vehicle, in one place with consolidated valuation reports, a single dealing service and instant online access.

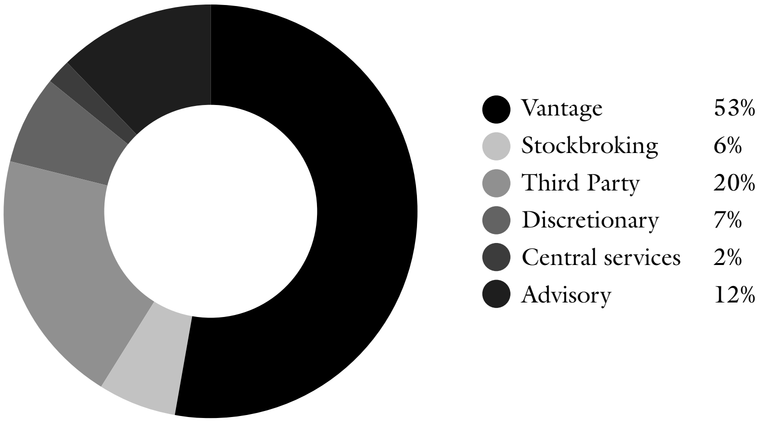
The Group also provides investment management, independent financial advisory and stockbroking services to private investors and advisory services to companies in respect of group pension schemes.

Revenue contribution

We have five main operating divisions:

Vantage
Advisory
Discretionary
Third Party
Stockbroking

in addition to our Central support services division.



At a glance

Assets under administration at 30 June 2007

£10.2 bn (2006: £6.1 bn)

Revenue for the year to 30 June 2007

£98.8 m (2006: £73.5 m)

Underlying operating profits for the year to 30 June 2007

£40.7 m (2006: £24.3 m)

Employees (full time equivalents) at 30 June 2007

648 (2006: 568)

Offices
Bristol, also satellite office in London,
and financial advisers throughout the UK

Website
www.H-L.co.uk

Recent awards

2007
- What Investment Best SIPP Provider
- What Investment Best Share Dealing Service
- Personal Finance and Savings Awards - Best IFA 2007
- Financial Adviser - Corporate Adviser of the Year 2007 - Nic Nicolaou
- Financial Adviser - SIPP Adviser of the Year 2007 - Danny Cox
- UK Pension Awards - SIPP Provider of the Year

2006
- Money Marketing IFA of the Year
- Investors Chronicle Best Online Broker Customer Service
- Money Marketing Best Pension Advisor
- Real Adviser Best Cautious & Income Multi-Manager Fund (HL Multi-Manager I&G Portfolio Trust)
- Money Management Financial Planner of the Year – Ethical Planner award
- Jonathon Timms Memorial Award best Certified Financial Planner entry 2006

Our Objectives

Mission

Hargreaves Lansdown is in business to help investors make more of their money by providing a combination of the best information, the best service and the best prices in its areas of operation, thereby creating value for clients, staff and shareholders.

Objectives

- We strive to make Hargreaves Lansdown the best and most profitable in all the areas in which it operates.
- We aim to attract and retain clients by identifying and satisfying their investment requirements fairly and profitably. Whether they are making their own investment decisions, or looking for advisory or discretionary services, we aim to offer a broad range of investment solutions.
- We strive to provide shareholders with a growing stream of dividend income, delivered by steady and consistent growth in earnings per share as market conditions permit.
- We aim to provide our staff with satisfying careers and an opportunity to contribute to and participate in the success of the business.

Strategy

To fulfil our objectives, we need to command and retain the trust of our clients by consistently delivering on the commitments we make. We must maintain our client focus, putting the best long term interests of the client first, regardless of short term pressures, fashions or market conditions. By creating value for our clients, we believe we will create long term value for shareholders and provide fulfilling careers for our staff.

In particular, we shall focus on the following:

- Continued direct, quality service to generate growth in Vantage, our direct to investor fund supermarket and wrap platform;
- Strong performance to increase assets under management in the Hargreaves Lansdown range of multi-manager funds and our Portfolio Management Service;
- Continuing to provide a premium personal financial advisory service, using our direct mail expertise to streamline the advisory process;
- Continuing to provide a high quality Stockbroking service;
- Continuing to improve terms and earnings quality within the business;
- Heightening the visibility of the Hargreaves Lansdown brand;
- Continuing in our commitment to provide high quality service to clients through all the channels available, but helping more clients to benefits from online usage;
- Increasing operational efficiency and maintaining rigorous cost control;
- Managing risk effectively; and
- Independent, clear information, or advice if preferred, so that people can identify their financial priorities and choose appropriate products and solutions.

Chairman's statement

Whilst positive market conditions have no doubt contributed to our good results this year, our marketing team has also been successful at both encouraging existing clients to entrust us with more of their wealth and attracting new clients into Vantage, our fund supermarket and wrap platform, and discretionary management services. In particular, the growth in assets in our Vantage SIPP has been substantial and we anticipate this to be an area of continued expansion in the future.

Strong investment performance and the expansion of our team of advisers have enabled us to substantially grow funds under management in our multi-manager funds and our Portfolio Management Service (PMS) during the year. To the credit of our investment team our four multi-manager funds have performed consistently well throughout the year with all funds achieving top quartile performance within their respective peer groups over the 12 month period to the end of June 2007.

The success of our Corporate Solutions division was a major factor in growing revenue from third party business. This division continues to attract larger corporate clients. At the year end, there were 77 pension schemes on our books which contained a minimum of a hundred members, an increase of 43 per cent on the previous year.

On 15 May 2007 the Group floated on the London Stock Exchange. This was a momentous milestone in the life of Hargreaves Lansdown. As predicted and hoped for, the increased profile of the Group has already started to benefit the business. We believe that the increased visibility of Hargreaves Lansdown as a public company will afford both our corporate and individual clients even greater comfort about dealing with us and entrusting us with their savings. We have enjoyed the dialogue with our new shareholders and look forward to continuing it in the future. Our local profile has improved our ability to recruit staff and improved the quality of applicants.

Mike Evans, former Chief Operating Officer of Skandia UK Limited, and Jonathan Bloomer, former Chief Executive of Prudential plc, joined the board as non-executive directors in August and September 2006 respectively. Their knowledge and experience in the financial services industry has already proved to be of great assistance to the board and I am sure will be of even greater benefit in the years ahead. Both Mike and Jonathan sit on the audit, remuneration and nomination committees with Jonathan being the senior independent director chairing those committees. We are actively seeking a new non-executive director to bring the board in line with recommended best practice. A newly formed executive committee will be responsible for the day to day running of the various divisions within the Group and will liaise closely with the main board of directors in developing the business strategy, managing risk and ensuring that we maintain the culture and dynamism which has made Hargreaves Lansdown successful to date.

The regulatory environment that we operate in is undergoing a change towards a more principles based approach focused on ensuring that investors are treated fairly. Hargreaves Lansdown welcomes this move. Our business model and our success are built on putting our clients first and providing the highest levels of service. The regulatory environment is always changing and new regulations stemming from the EU will take effect in the months ahead. In addition, the Financial Services Authority is conducting a Retail Distribution Review looking at the way the financial services sector operates. We do not believe that any of these changes will materially affect our business model.

The demographics of the country are such that people need to save more. As a business we are ideally situated to benefit from any increase in savings and it is our intention to continue to develop Vantage and our other services to improve our offering to the private investor. Our focus will be 'more of the same' in seeking new clients with funds to invest, servicing existing clients and encouraging them to transfer more of their assets onto our platform. We will continue to market strongly in this respect but at the same time continue to keep a tight control on our overheads to ensure that our margins are at least maintained and hopefully improved. We are of course reliant on investment markets being stable in order to maintain and increase our assets under administration but we believe that by endeavouring to offer clients the best information and the best service at the best prices our business will continue to grow.

Our employees are vitally important to us. We seek to recruit and train enthusiastic, intelligent employees and incentivise them through a good remuneration structure to help grow the business. At 30 June 2007 our staff numbers totalled 648. 2007 has been a very busy time for everyone within the Group not only dealing with the significant increases in business but also the additional work involved with the flotation. I would like to personally thank everyone for all their hard work and effort. Our success is down to them.

We look forward to facing the exciting new challenges of life as a listed company.

Stephen Lansdown
Chairman
17 October 2007

Chief Executive's Review

It is with pleasure that we present our first set of results as a publicly quoted company. The Group has had a successful year's trading. This performance is reflected in both underlying operating profit before tax (and exceptional items) which increased by 67 per cent from £24.3 million to £40.7 million and revenue which increased by 34 per cent from £73.5 million to £98.8 million. The percentage of revenue which is recurring in nature (i.e. renewal commission, management fees and interest) increased from 61 per cent to 65 per cent. Operating costs were well controlled during the year and our underlying operating profit margin increased from 33 per cent to 41 per cent. Underlying diluted earnings per share have risen by 52 per cent to 6.4 pence compared with 4.2 pence for 2006.

During the year our total assets under administration increased by 67 per cent from £6.1 billion to £10.2 billion. This includes £1.3 billion of assets also under our management, an increase of 86 per cent on the previous year. The growth in assets under administration and management has arisen through a combination of strong new business volumes and market growth. The most relevant index, the FTSE All Share, increased during the period by 15 per cent. As part of the flotation of the Group, shares in Hargreaves Lansdown plc feature strongly on the Vantage platform this year as exceptional inflows and exceptional levels of market growth. At 30 June 2007, the value of Hargreaves Lansdown plc shares on the Vantage platform was £805 million.

Review

Our year started with nervousness caused by the setback in the market in the spring of 2006. Consequently we started our year concentrating on gathering assets and through the media of our newsletters, supporting clients and making suggestions.

There were a few highlights during the early part of our year such as the very successful launch of an innovative third party fund which incorporated the best ideas of several eminent fund managers. We were also pleased that the predictions that A-Day in the pensions arena would be a one off marketing opportunity were unfounded as we saw our pension volumes continue to grow strongly.

The summer months always bring about client malaise as they occupy themselves with holidays and other things conducive to the glorious summer of 2006. We were however encouraged during the first part of our financial year that investors were seeking information, responding to our advertising and exploring our website, which was completely revamped and relaunched in November 2006.

In the first six months of the year we performed well in comparison to the general market place. Confidence was boosted by buoyant demand for our own multi-manager funds, our Portfolio Management Service (PMS), Self Invested Personal Pensions (SIPPs) and some interesting investments that were launched during the period. The second half of the year started exceptionally well with a number of divisions reporting record or near record volumes.

Renewed investor confidence encouraged us to market strongly during the third quarter and we ran an extra newsletter during that period, a decision which turned out to be extremely fortuitous. Many of our competitors submitted their final ISA season offerings just as the market fell significantly in February. It enabled us to hold our final ISA offering until we could see some stability in the marketplace, and when submitted it had more relevant comment as investor confidence was improving.

Increased speculation regarding our float helped to generate interest in our services and provided a boost to our advertising. Our year closed with the prospect of marketing to many new prospective clients obtained during our April and May advertising campaign.

There has been significant growth in our assets under administration on our Vantage platform and assets under management. We were particularly pleased with how all sectors of the firm coped with the exceptional levels of business and also capitalised on the circumstances. Assets held in Vantage at the year end included £2.2 billion invested in PEPs, £2.8 billion invested in ISAs, £1.4 billion invested in SIPPs and £2.7 billion invested in our Fund and Share Account. Our multi-manager funds reached £1 billion at the year end, including £0.5 billion administered through Vantage.

Group strategy

Going forward our strategy will be "more of the same" in that we shall continue to provide first class services to our clients, respond to market conditions and innovate in our approach to marketing and product design. We shall continue to talk to new and potential clients about their investments whatever the prevailing market conditions might be. We have not identified any new potential businesses and we are not seeking to acquire any businesses. We shall continue to geographically expand our Financial Practitioners division since we have established that many clients would like a "local" representative.

Our challenges for the year ahead are to continue improving our website where we believe the future of the financial services industry lies and further enhancing our platform through in-house development. We have boosted our marketing team which we believe to be one of the most enthusiastic and talented marketing teams in financial services. We expect SIPPs to become an ever more important part of our client offering but we are also encouraged by our Portfolio Management Service as clients seek more assistance in managing their investment portfolios.

We have finally established from where we shall be operating in a couple of years time which should enable us to bring all our people together under one roof, something which we believe will benefit the firm immensely.

Outlook

Hargreaves Lansdown is a leading provider of investment management products and services to the private investor in the UK, and 2007 saw us consolidate this position with strong growth and excellent results.

I am mindful that since our year end we have seen huge turmoil in the world's stock markets. The market is still uncertain of the extent of the problems caused by the United States' sub-prime lending market. Although Hargreaves Lansdown has no direct exposure to this area, sentiment is likely to cause nervousness in markets and it is impossible to know when, if any recovery will be permanent or sustainable.

We have always been rewarded by continuing to support our clients in turbulent times and believe we emerge from these periods stronger and with improved market share. A high proportion of assets held in Vantage are within tax wrappers and our cash option allows clients to shelter from the market without withdrawing capital and losing potential tax benefits.

I would also draw our shareholders' attention to the fact that we do have significant businesses in areas far less affected by the market. We have a successful corporate pensions division, a leading SIPP product and a market leading annuity business. We are also seeing an increase in demand for advice from our team of Financial Practitioners.

The long-term fiscal and demographic trends remain positive for our business. We are still encouraged by the flow of ideas, the quality of our research and the number of letters we receive from our clients praising all aspects of our service. It is our company policy to put clients first, a philosophy which has been the prime reason for the firm flourishing. We approach the new year determined that we shall continue to grow the business and profits whilst at the same time hoping that we return to more benign markets, which should in time repair investor confidence.

Peter K. Hargreaves

Peter Hargreaves
Chief Executive Officer
17 October 2007

Operating and Financial Review

This Operating and Financial Review ('OFR) has been prepared to provide additional information to shareholders to assess the current position and future potential of the Group. It should not be relied on by any other party for any other purpose. This OFR contains forward-looking statements that involve risks and uncertainties. The Group's actual results may differ materially from the results discussed in the forward-looking statements as a result of various economic factors or the business risks, some of which are set out in this document.

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

This OFR has been prepared with consideration to the ASB's 2006 Reporting Statement on OFRs.

Long term strategy and key objectives

Hargreaves Lansdown is a leading provider of investment management products and services to private investors in the UK. Our flagship service, Vantage, is a direct-to-private investor fund supermarket and wrap platform. Vantage offers clients the administrative convenience of being able to hold and manage their investments, including unit trusts, OEICs, equities, bonds, investment trusts and cash, irrespective of the tax vehicle, in one place with consolidated valuation reports, a single dealing service and instant online access.

In addition to offering externally managed investment products, we manage funds through our own range of multi-manager funds and PMS, our discretionary portfolio management service. We also provide independent financial advisory and Stockbroking services to private investors and advisory services to companies in respect of group pension schemes.

In providing this breadth of services direct to the private investor, we offer a compelling proposition for clients.

Fund supermarkets and wrap platforms typically focus on servicing the IFA community and are remunerated for acting as administrator. The IFA using the platform is remunerated for acting as distributor. We provide our fund supermarket and wrap platform direct to the private investor, thereby performing the role, and capturing the economics, of both the platform provider and distributor.

We believe that this business model, together with our significant purchasing power, enable us to retain a greater share of the annual management charge, also known as renewal commission, from fund providers than we would through acting solely as a fund distributor or a fund platform provider. We strengthen our ability to win and retain clients by discounting initial charges and passing on a portion of the annual management charge to clients as a loyalty bonus on many Vantage accounts. The Hargreaves Lansdown business model allows us to offer highly competitive prices to our clients and achieve strong profitability.

Our aim 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, we will focus on:

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

Competition and markets

The markets in which Hargreaves Lansdown operates are highly fragmented. We compete with other businesses providing investment products and services direct to the private investor. These include IFAs, execution-only brokers, banks, building societies, life assurers and those fund supermarkets and wrap platforms which are available direct to the private investor. We believe that Vantage is the largest fund supermarket and wrap platform for the private investor in the UK.

Our target market is the UK mass affluent population looking to invest their savings and we are encouraged by the scope for growth in this market.

Key Performance Indicators

We use a range of indicators across each of the divisions in order to assess performance. However, we consider the following indicators to be key when looking at the overall performance of the Group.

	2007	2006	Increase
Underlying diluted earnings per share (1)	6.4p	4.2p	52%
Underlying % operating profit margin (2)	41%	33%	8 pts
Total Assets Under Administration (3)	£10.2bn	£6.1bn	67%
FTSE All Share Index (4)	3404.14	2967.58	15%
Percentage of recurring revenue (5)	65%	61%	4 pts
Percentage of assets earning recurring revenue (6)	86%	93%	-7 pts
Number of Vantage clients (7)	218k	188k	16%

Notes:

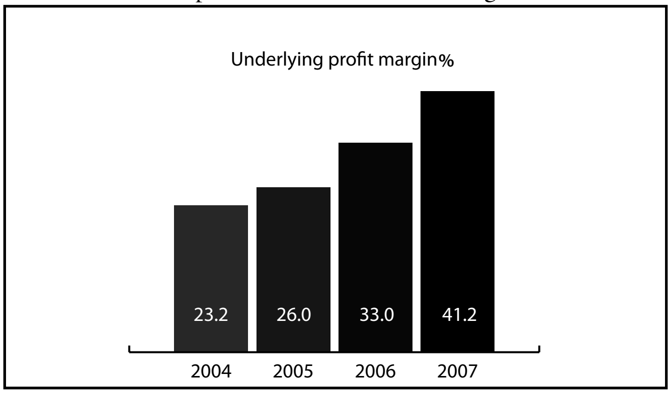
1. *Based upon earnings before exceptional administrative expenses and investment gains, and the full issued share capital*
2. *Operating profit before exceptional administrative expenses divided by revenue*
3. *2007 includes £805m of shares in Hargreaves Lansdown plc*
4. *The closing values as at 29 June 2007 and 30 June 2006, sourced from ProQuote.*
5. *Total value of renewal commission, management fees and interest earned on client money, as a percentage of total revenue.*
6. *Percentage of assets either held in an account which generates a fixed management fee or held an account which generates management fees, renewal commission or interest proportionate to the value of assets held.*
7. *Unique number of clients holding at least one Vantage account (PEP, ISA, SIPP or Fund and Share Account) with a value greater than £100 at the year end.*

We consider a fully diluted EPS figure, which excludes the impact of exceptional items and investment gains, to be the most appropriate measure of performance. This increased by 52% in the year from 4.2 pence to 6.4 pence.

The underlying operating profit margin is another key financial indicator, increasing from 33 per cent to 41 per cent.

The historic trend in operating margin illustrates the relationship between revenue and costs which in turn gives an indication of the scalability of the business model. The table shows how the margin has grown between 2004 and 2007 because increasing revenues, driven by higher asset values, have not necessitated an equivalent rise in costs.

One of the most important statistics for the management is the extent to which it has increased its total assets under administration (AUA) during the period. This involves encouraging existing clients to entrust us with more of their savings through the provision of quality service, information and pricing, whilst also attracting new clients through our various marketing initiatives. In 2007, the total value of assets increased by 67 per cent to £10.2bn or 54 per cent to £9.4bn if you exclude the impact of the Group's flotation on the London Stock Exchange which resulted in Hargreaves Lansdown plc shares with a market value of £0.8bn as at 30 June 2007 being added to the platform. Analysis of our assets under administration suggests that the FTSE All-Share is the most appropriate benchmark to use for the market and so any rise in this index can form a useful comparison against the growth in AUA. In the year ended 30 June 2007 this index grew by 15 per cent. The remaining growth can largely be attributed to net new business. In 2007, net inflows into Vantage were £2.1bn (2006: £1.1bn) excluding the £0.8bn of Hargreaves Lansdown plc shares referred to above whilst market gains and interest on client money increased asset values by another £0.8bn (2006: £0.6bn).



The importance of AUA is that they produce a recurring revenue stream made up of renewal commission, management fees and interest. The percentage of revenue attributable to these 'quality earnings' increased from 61 per cent in 2006 to 65 per cent in 2007. However, not all of our AUA generate recurring revenue. For example, there are no annual charges levied on equities held in the Vantage Fund and Share Account (including the Hargreaves Lansdown plc shares). For these assets the Group receives dealing commission based upon the levels of trading activity. So when looking at the growth in AUA, it's relevant to consider another indicator, the proportion of AUA which generate recurring revenue. This has fallen from 93 per cent in 2006 to 86 per cent in 2007 due to the addition of the Hargreaves Lansdown shares into the Vantage Fund and Share Account.

The indicators mentioned above provide a useful measure of how successful the Group has been in gathering assets under administration. However, it does not give any indication of whether this success is predominantly due to effective cross selling to existing clients and their increasing wealth or whether the Group is successfully adding to its client bank. This is essential in order to replace natural client losses and expand the business. The number of active Vantage clients acts as an indicator of how successful the Group has been in this respect. In 2007, the number has increased by 16 per cent, which compares favourably to a 12 per cent increase the previous year and 3 per cent in 2005.

Review of results

	2007 £'million	2006 £'million
Revenue	98.8	73.5
Underlying administrative expenses	(58.1)	(49.2)
Operating profit before exceptional administrative expenses	40.7	24.3
Exceptional administrative expenses (see below)	(29.6)	(19.6)
Operating profit	11.0	4.6
Non operating income - investment revenue and other gains	13.4	3.0
Profit before taxation	24.4	7.6
Taxation	(7.4)	(1.6)
Profit after taxation	17.0	6.0

The value of total assets under administration grew by 67 per cent during the period, from £6.1 billion to £10.2 billion. This is largely made up of £9.1 billion of assets held within the Vantage service, with the remainder being assets held within the Portfolio Management Service and other nominee portfolios. We estimate that the £3.7 billion increase in Vantage assets from £5.4 billion to £9.1 billion can be attributed to £0.8 billion of Hargreaves Lansdown plc shares, £2.1 billion of other net new business, and £0.8 billion of market growth.

The value of assets managed by Hargreaves Lansdown through its own range of multi-manager funds and PMS increased by 86 per cent, to £1.3 billion, compared to £0.7 billion as at 30 June 2006. Of these assets under management, £0.5 billion were held within Vantage as at 30 June 2007, compared with £0.2 billion as at 30 June 2006.

	At 30 June 2007 £'billion	At 30 June 2006 £'billion
Assets Under Administration AUA		
- Vantage	9.1	5.4
- Other	0.2	0.2
AUA Total	9.3	5.6
Assets Under Administration and Management AUM		
- Portfolio Management Service PMS	0.8	0.5
- Multi-manager funds excluding PMS	0.5	0.2
AUM Total	1.3	0.7
Less: Multi-manager funds included in both AUA and AUM	(0.5)	(0.2)
Total Assets Under Administration	10.2	6.1

Revenue increased by £25.3 million or 34 per cent, to £98.8 million in the year ended 30 June 2007, compared to £73.5 million for the year ended 30 June 2006. This was principally due to an increase in revenue of £23.6 million across the Vantage, Discretionary and Advisory divisions resulting from increased assets under administration and management and a full year's revenue on assets secured in the previous year. The 67 per cent growth in asset values was attributable to strong new business volumes, the addition of Hargreaves Lansdown shares to the platform (£805 million as at 30 June 2007), and market growth. The FTSE All Share index increased 15 per cent during the year, from 2967.58 to 3404.14.

The Group's underlying operating profit (operating profit before taxation and exceptional items) increased by 67 per cent to £40.7 million in 2007 compared to £24.3 million for 2006. The increase resulted from revenue growth, driven by higher asset values, which did not necessitate an equivalent rise in costs. The Group's operating margin increased from 33 per cent to 41 per cent.

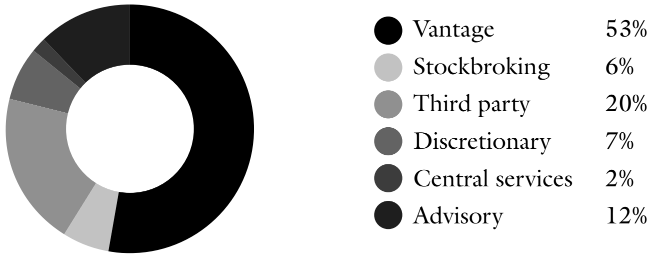
The Group incurred exceptional administration expenses of £29.6 million during the year, compared to £19.6 million for the year ended 30 June 2006. The majority of these costs comprised the amount by which remuneration paid to certain directors of the Company and its subsidiaries exceeded the amounts which might be payable in future years following the agreement of a new remuneration policy in March 2007. The remainder related to costs incurred in relation to the flotation of the Group on the London Stock Exchange. All of the exceptional costs for 2006 related to director's remuneration.

Hargreaves Lansdown's 2007 results have been prepared for the first time in accordance with International Financial Reporting Standards (IFRS) and the comparative figures have been restated. The introduction of IFRS has resulted in a reduction in operating profit of £0.7 million in 2007 and £0.4 million in 2006. Our cash flow has not been affected by these accounting adjustments. The most significant adjustment has been the inclusion of a fair value charge in respect of share arrangements entered into after 7 November 2002 and still in existence at the date of transition to IFRS on 1 July 2005.

There were £13.4 million of investment revenue and other gains during the year. These can primarily be attributed to the disposal of a number of the Group's investments during the year which resulted in net gains of £11.9 million.

The Group's reported profit before tax increased to £24.4 million, compared to £7.6 million in the previous year. The effective tax rate for the Group this year was just above 30 per cent which has resulted in a reported profit after tax for the year of £17.0 million, compared to £6.0 million for the previous year.

Revenue Contribution 2007



Revenue

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

	Year Ended 30 June 2007 £'million	Year Ended 30 June 2006 £'million
Revenue by division		
Vantage	52.1	35.2
Advisory	11.9	8.2
Discretionary	7.4	4.4
Third Party	19.8	17.1
Stockbroking	5.8	7.5
Central services	1.7	1.1
	98.8	73.5

The Vantage division increased its revenues by £16.9 million, from £35.2 million to £52.1 million. This resulted from strong growth in assets under administration from £5.4 billion to £9.1 billion. The revenue growth also reflects the impact of a full year's income on assets acquired during the previous year. The Vantage service allows clients to hold assets in tax efficient wrappers such as a PEP, ISA or SIPP, or alternatively in a Fund and Share Account. The highest growth in asset values was evident in the SIPP, with an increase of 180 per cent from £0.5 billion to £1.4 billion. The Fund and Share Account experienced high net inflows and market growth, including the exceptional impact of Hargreaves Lansdown plc shares, with asset values increasing by 125 per cent from £1.2 billion to £2.7 billion. The strong growth experienced in PEP / ISA business in 2006 continued in 2007 with assets increasing by 36 per cent to £5 billion.

The Advisory business increased its revenues by £3.7 million, from £8.2 million to £11.9 million. In addition to initial and renewal commission earned on the distribution of third party investments, this division earns initial charges and annual management fees on assets introduced into the Group's Portfolio Management Service (PMS). The value of assets managed in PMS increased by 59 per cent from £493 million to £784 million. This growth can be attributed to high inflows, facilitated by an expanded team of advisers, and market growth. The average number of advisers employed during the year increased by 22, from 47 in 2006 to 69 in 2007.

The value of Hargreaves Lansdown's multi-manager funds increased from £0.6 billion to £1 billion, a 67 per cent uplift. As at 30 June 2007, 52 per cent of these were held within PMS, 46 per cent were held within Vantage and the remainder were held directly. The Discretionary division earns renewal commission on underlying investments held in PMS, including the value of PMS investments in the Group's multi-manager funds. The multi-manager funds charge one per cent annually on the value of funds under management, which is recognised in the Discretionary division net of the renewal commission paid to PMS and Vantage.

Hargreaves Lansdown's Third Party business comprises those investment products which are sold by the Group but not held in Vantage or other Group nominee accounts. These include corporate pensions, personal pensions, annuities, third party investment products, venture capital trusts and life assurance. The divisions handling Third Party business increased revenues overall by 16 per cent, from £17.1 million to £19.8 million. The increase can be attributed to growth in corporate pensions and personal annuities and term assurance. The growth in these areas was offset by an expected decline of 14 per cent in the revenue from Third Party investments. This revenue will continue to decline as more clients choose to transfer their investments onto the Vantage platform.

The Stockbroking division experienced a decline in revenue of 23 per cent, from £7.5 million to £5.8 million. This can largely be attributed to the cessation of a dealing service previously operated for a third party. This contract was terminated in November 2006 to enable this division to focus on servicing the higher margin, core Vantage business.

	Year Ended 30 June 2007 £'million	Year Ended 30 June 2006 £'million
Underlying administrative expenses		
Staff costs	34.5	28.1
Commission payable	9.3	7.9
Marketing costs	5.8	4.7
Depreciation, amortisation and financial costs	0.8	1.1
Other costs	7.7	7.4
	58.1	49.2

Underlying administrative expenses increased by 18 per cent, from £49.2 million to £58.1 million. The Group's largest cost remains staff costs, which represents 59 per cent of administrative expenses. These costs increased by 23 per cent in line with a 21 per cent increase in average staff numbers.

Commission payable includes 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). Commission payable increased by 18 per cent, from £7.9 million to £9.3 million. This was attributable to the growth in assets under administration in Vantage, offset by a drop in commission payable under a contract to provide dealing services for a third party which was terminated in November 2006.

The Group increased its marketing spend by 23 per cent, from £4.7 million to £5.8 million. This includes the costs of sending information to existing and potential clients, including the Group's flagship publication, the Investment Times. These costs also include an element of media advertising, postage, stationary and the cost of corresponding with clients. The increase can be attributed to greater media advertising to respond to a fertile market and the high profile of the Group during its flotation.

As the majority of our platform development is undertaken in-house, the capital expenditure of the business remains fairly low. The charge for depreciation, amortisation and financial costs for the year were not significant, decreasing from £1.1 million to £0.8 million.

Other administrative costs and overheads include items such as building and utility costs, dealing costs, irrecoverable VAT, compliance costs, insurance, professional services, computer maintenance and external administration charges. These were controlled during the period, increasing by just 4 per cent from £7.4 million to £7.7 million.

Non operating income

Investment revenues fell from £2.9 million to £1.4 million and the 2007 figure is predominantly made up of interest receivable on the Group's cash balances. The reduction in revenue in 2007 can be largely attributed to a special dividend of £1.7 million received in 2006 from the London Stock Exchange. The Group disposed of the majority of its investments during the year, including its holdings in EMX Company Limited and the London Stock Exchange plc. This resulted in net gains in 2007 of £11.9 million, with none arising in 2006.

Taxation

Taxation increased from £1.6 million to £7.4 million. The higher charge can be attributed to an increase in pre-tax profits and an increase in the effective tax rate from 21 per cent to just above 30 per cent. The reduced rate in 2006 was largely the result of a dividend receipt of £1.9 million on which no tax was payable and deductions in relation to share option benefits. In the year ended 30 June 2007, there was no such dividend and deductions in relation to share option benefits were offset by float costs which were not allowable for tax purposes.

Earnings per share (EPS)

The basic diluted EPS increased from 1.3 pence to 3.6 pence. However the directors consider the most relevant EPS calculation to be the underlying diluted earnings per share. This is calculated as the earnings for the year, adjusted to exclude the net effect of exceptional administration expenses and investment gains, divided by the total number of shares in issue, including those held by the Employee Benefit Trust (EBT). Underlying diluted EPS increased by 52 per cent, from 4.2 pence to 6.4 pence. As at 30 June 2007, the EBT held sufficient shares to satisfy all outstanding share options granted under the employee share schemes.

Dividend

A dividend of 3.0 pence per share was proposed on 26 April 2007 and paid on 21 May 2007 to shareholders on the register as at 1 May 2007. This was a 66 per cent increase on total dividend payments of 1.81 pence made in 2006. As previously advised prior to the flotation, there will be no final dividend in respect of the financial year ended 30 June 2007. An arrangement exists under which the Hargreaves Lansdown Employee Benefit Trust (the "EBT") has agreed to waive all dividends.

Cash flow and capital expenditure

The Group was highly cash generative during the year with the significant outgoings from underlying profits being exceptional director's remuneration and dividends. These were offset to some extent by the proceeds from the disposal of a high proportion of the Group's investments and the sale of Company shares by the EBT. The Group's own cash balances increased from £9.4 million to £32.9 million during the year. This includes £12.4 million of cash held within the EBT. Capital expenditure remained relatively low, increasing from £0.8 million to £1.5 million.

Net assets, capital requirement and treasury policy

Group net assets increased from £17.5 million to £44.5 million. The Group has four subsidiary companies which are authorised and regulated by the Financial Services Authority. These firms maintain capital resources at a level which satisfies both their regulatory capital requirements as well as their working capital requirements. As at 30 June 2007, the aggregated regulatory capital requirement across the four regulated subsidiary companies was approximately £9 million compared to capital resources of approximately £27 million, which resulted in a surplus of approximately £18 million.

The Group has no borrowings and deposits its liquid funds with selected financial institutions which maintain a long term credit rating of AA- or better. The Group actively maintains cash balances on short term deposit to ensure that it has sufficient available funds for operations. This policy is designed to ensure that the Group takes no material credit risk. The Group is not exposed to significant foreign exchange translation or transaction risk.

Future outlook

In his report, Peter Hargreaves outlines the potential impact of recent market volatility on the future performance of the Group. In the longer term, a combination of demographic and fiscal factors, including an ageing and increasingly wealthy population, pressure on state pension provision, pension reforms and a growing awareness of the need to save for retirement, are likely to underpin growing demand for investment and pension products. There appears to be a growing opinion that the most convenient method for individuals to hold their investments is within a wrap service and as a result, many believe that the use of wrap platforms, such as Vantage, is set to increase.

We see the growth in internet and broadband services as being of major importance to the investment industry and believe that the wealth of information available online may encourage more individuals to invest on an execution-only basis. If this were to happen, Vantage would be well positioned to benefit, as the major direct-to-private-investor wrap service in the marketplace.

There are record numbers of people approaching retirement in the UK and we believe that the ease of shopping around on the web will encourage more people to look for the best deal when purchasing an annuity. As life events often create the need for financial advice, high numbers of people retiring may also prompt growth in the market for those seeking help with their finances. This could potentially benefit our expanded team of financial practitioners, our Portfolio Management Service and our multi-manager funds.

At any point in time, our ability to gather assets and attract clients will depend to some extent upon the prevailing market conditions but we believe that we are well-positioned to capitalise on the growth opportunities available in view of our client-focused approach, our breadth of high quality services specific to the private investor, our marketing expertise and our entrepreneurial culture. Subject to the right market conditions, we believe that the Hargreaves Lansdown business model can continue to provide competitive prices for clients and attractive returns for shareholders in the future.

Risks and uncertainties

There are a number of potential risks to the Group which could hinder the successful implementation of our strategy and have a material impact on our long term performance. These arise from internal or external events, acts or omissions which could potentially pose a threat to the future success and survival of the Group. The Board and senior management of Hargreaves Lansdown are proactive in identifying, assessing and managing risk.

The risk factors mentioned below do not purport to be exhaustive as there may be additional risks that the Group has not yet identified or has deemed to be immaterial that could have a material adverse effect on the business.

Industry Risks

Risk Type	Risks	Mitigating Factors / Controls
Fluctuations in the capital markets	Fluctuations in capital markets may adversely affect trading activity and/or the value of the Group's assets under administration or management, from which we derive revenues.	• Focus on recurring revenue streams over the more volatile transaction-based alternative. • High proportion of assets under administration in tax wrappers so clients less likely to withdraw funds and lose tax benefits. • Cash option enables clients to shelter from market volatility.
Changing markets and increased competition	The Group operates in a highly competitive environment with developing demographic trends and our continued profitability depends on our ability to respond to these pressures and trends.	• Strong market position with pricing power. • Full control over scaleable and flexible platform. • Experienced management team with a strong track record of innovation and responsiveness to the market. • Organisational structure and culture promotes responsiveness. • Client focused with a loyal customer base. • Younger clients attracted by SIPP offering.
Evolving technology	The Group's technology could become obsolete if we are unable to develop and enhance our systems to accommodate changing preferences, new products and the emergence of new industry standards.	• Track record of successful development • High awareness and sponsorship of the importance of technology at Board level. • Substantial development team in place.
Regulatory risk	The Group may be materially adversely affected as a result of new or revised legislation or regulations or by changes in the interpretation or enforcement of existing laws and regulations.	• Business model and culture already geared towards FSA principle of treating clients fairly. • Financial strength of the organisation provides comfort should the capital resource requirement be increased.
Changes in taxation law	Changes made to tax legislation could reduce the attractiveness of some of the Group's investment products such as PEPs, ISAs and SIPPs.	• The government is more likely to encourage savings in order to plan for an ageing population, which is currently under-provided for.

Damage to the Group's reputation	There is a risk of reputational damage through the actions of unassociated third parties such as the set-up of a copycat website to fraudulently obtain funds from our clients.	• Clients educated to improve awareness of potential 'boiler room' and other online scams. • Hargreaves Lansdown security procedures are well communicated to clients so they are more likely to question anything out of the ordinary.

Operational Risks

Risk Type	Risks	Mitigating Factors / Controls
Errors, breakdowns or security breaches in respect of the Group's software or information technology systems	Serious or prolonged breaches, errors or breakdowns in the Group's software or information technology systems could negatively impact customer confidence. It could also materially breach contracts we have with our customers and data protection laws, which could render us liable to disciplinary action by governmental and regulatory authorities, as well as to claims by our clients.	• High level of resilience built into daily operations. • IT performance, scalability and security are deemed top priorities by the Board. • Large, experienced in-house team of IT professionals and established name suppliers. • Internal procedures marked against industry best practice.
Business continuity	In addition to the failure of IT systems, there is a risk of disruption to the business as a result of power failure, fire, flood, acts of terrorism, re-location problems and the like.	• Critical applications and infrastructure mirrored across primary and secondary sites. • Business Continuity Plan produced in line with best practice methodologies.
Damage to the Group's reputation	There is a risk of reputational damage including as a result of employee misconduct, failure to manage inside information or conflicts of interest, fraud or improper practice.	• High level of internal controls including checks on new staff. • Well trained staff. • Strong compliance culture.
Key personnel risk	The loss of, or inability to recruit, key personnel could have a material adverse effect on the Group's business, results of operations or financial condition.	• Lock up on shares held of up to four years on directors and senior management. • SAYE schemes in operation to incentivise staff and encourage retention. • Success of the Group should attract high calibre candidates. • Succession planning encouraged throughout Group via management and staff objectives.
Litigation or claims made against the Group	The Group's business entails the risk of liability related to litigation from clients or third parties and actions taken by regulatory agencies. This risk is compounded by the loss of some hard copy records in 2005, as disclosed in the pre-flotation prospectus. There can be no assurance that a claim or claims will be covered by insurance or, if covered, will not exceed the limits of available insurance coverage, or that any insurer will remain solvent and will meet its obligations to provide the Group with coverage.	• High levels of PI cover. • Comprehensive internal review procedures for marketing literature.
Performance of in-house managed funds	If the investment performance of the Hargreaves Lansdown multi-manager funds were to be poor relative to the market or in absolute terms, the Group would be vulnerable to redemption/cancellation of units by investors in those collective investment funds and a consequential reduction in revenues received from such activities.	• Only manage funds of funds, divested equity management to focus on core strength. • Fund analysis focuses on 'stock selection' skills of manager rather than basic performance analysis. • Multi-manager funds well diversified at the underlying fund level as well as by number of funds. • Well established and proven investment process. • Our Funds of Funds give investors exposure to a broad range of underlying investments. They are therefore less vulnerable to sector specific poor performance than specialised or focused funds.
Reliance on third parties	Any regulatory breach or service failure on the part of an outsourced service provider could expose the Group to the risk of regulatory sanctions and reputational damage.	• Due diligence forms part of the selection process for key suppliers. • Ongoing review by our internal audit team of key business partners.

Operations

IT

We continue to run the vast majority of our administration and systems development in-house rather than outsourcing to third parties. In particular, we maintain full control of the Vantage platform which is fundamental in the administration of both Vantage and the Portfolio Management Service. The notable exception is the administration of our multi-manager funds which is currently outsourced. We believe that having control of our own platform gives us the ability to control service levels and react quickly to changing markets and the needs of our clients. Those areas of our business which are outsourced are kept under close review to ensure they continue to meet our standards.

This year saw us make substantial improvements to both our platform and its underlying infrastructure. In November 2006, we launched a revamped version of our website which is both easier to use and offers a broader range of online services and information. We also upgraded a number of servers, improved our data storage capabilities and replaced key network components, without any significant disruption to the business. There have been a number of important appointments in the management of IT this year in respect of development, infrastructure and IT security. It is our objective to achieve continuous improvement in the performance, reliability and resilience of our systems.

Regulation

Hargreaves Lansdown is regulated by the Financial Services Authority (FSA) to conduct investment business. The FSA are currently working towards a more principles based approach to regulation and they are actively reducing the number of specific rules that regulated firms need to comply with. At the same time, new regulations stemming from the EU will introduce some additional specific regulatory obligations in the future. The Markets in Financial Instruments Directive (MiFID) will take effect on 1 November 2007. Whilst this will require us to amend a number of our processes, we do not anticipate that it will have a material or adverse effect on our business model. The FSA are also completing a Retail Distribution Review with a view to improving the retail financial services marketplace. We are committed to treating our clients fairly and complying with our regulatory obligations, and believe our business model is already well aligned with the initial recommendations made by the FSA's Retail Distribution Review.

With effect from 1 January 2007, the Group's regulated Companies have been subject to the transitional provisions of the Capital Requirements Directive (CRD), a European Directive designed to introduce a more risk-based approach to the maintenance of regulatory capital. Experience thus far indicates that the impact of these provisions on Hargreaves Lansdown is not significant and has not resulted in a material increase in our capital requirement. We do not expect this to change following full implementation of the CRD.

Property

It is our aim to relocate all staff to a single site within the next few years to replace the four sites we currently occupy. The proposed site would afford us more than double our current amount of office space, giving us room for further expansion. We believe that a single site would be extremely beneficial for us in terms of efficiency gains, improving communication and maintaining the culture which has been a key element in the Group's success to date.

Resources

Our employees are vital to the Group's continuing success. We have sought to recruit, train and retain employees of the highest calibre and this has been instrumental in our success. The retention of good staff will continue to be critical to our future success and work is taking place in a number of areas to ensure that our staff continue to choose to develop their careers at Hargreaves Lansdown. We believe that our raised profile as a result of the flotation will assist us further in attracting the best candidates both locally and from further afield.

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through formal and informal meetings, and the Group intranet. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Employees are encouraged to identify, and to become involved with, the financial performance of the Group. The Group has a number of employee share schemes, including a SAYE which has been running successfully since its inception in 1999. The latest options were granted on 6 March 2007 to 236 employees. The scheme is open to all employees who have completed two years of service. Another scheme available to staff is the recently implemented Share Incentive Plan (SIP) which granted its first awards during November 2006. A further discretionary Option Scheme exists under which a number of senior employees have been granted options. With the Company's shares now trading on the main market of the London Stock Exchange, employees are able to quantify the value of their equity interests and this has increased the motivational impact of these schemes. The Board believes that the use of share schemes in the future will continue to incentivise staff and help align their interests with those of other shareholders. Many employees also receive an annual bonus related to the overall profitability of the Group.

In addition to a motivating reward structure, we recognise the importance of providing adequate training for staff to enable them to provide the best possible levels of service. We are constantly improving our provisions for staff training, through a mixture of external and in-house courses. The training needs of individuals are discussed with them during regular appraisals. It's also through these one-to-one meetings we aim to engage with staff and understand their wider views about the Group and their career progression, as well as what motivates them.

Corporate social responsibility

As part of their move toward a more principles based approach to regulation, the FSA are increasingly stressing the need for firms to have systems and controls in place to ensure that clients are treated fairly. We applaud this initiative. The fair treatment of our clients is of paramount importance to us. We have always been fully committed to treating our clients fairly and will ensure that this remains central to our culture.

We appreciate that alongside providing our clients with the best service and producing profits for our shareholders, we can also take sensible steps to reduce the impact of our business on the environment. During the year we maintained our arrangements for the shredding and recycling of confidential waste. We also have arrangements in place for the collection of recyclable waste such as printer toner cartridges.

Wherever possible, redundant IT equipment is data cleaned and sent to specialist third parties for refurbishment before being donated to deserving causes. In 2007 this included approximately 130 base units and 30 other items such as printers and monitors. We have continued to work towards ensuring future compliance with regulations relating to the Waste Electrical and Electronic Equipment Directive, which came into effect on 1 January 2007.

In many respects, our objective of reducing waste and minimising the environmental impact of our business is aligned with our objectives of reducing costs and improving efficiency. It is our aim to deal with clients and other businesses electronically wherever possible and we have invested heavily in providing a user friendly, comprehensive website and automated links to banks and fund providers. Our investment in this area will continue and the benefits will grow as more people and businesses choose to transact business and receive information online.

Business travel is another area which impacts both our costs and the environment. We do not provide company cars as standard to managers or to our network of advisers. At 30 June 2007 we had just 1 company car. Where cars are used for travel, car-sharing is encouraged through the availability of additional mileage expenses for staff who carry passengers rather than drive to appointments separately. In having a network of advisers across the UK and targeting markets local to them, we minimise both the costs and environmental impact of business travel.

We appreciate that there is more we could do to reduce the impact of our business on the environment and we aim to improve on the positive steps we have already taken and ensure that social, environmental and ethical considerations are taken into account in our future decision making. The proposed move to newly built premises in 2009 will provide an opportunity to promote more efficient use of energy and encourage practices which reduce energy consumption, such as the installation of energy efficient lighting. The purchase and hosting of IT equipment is another area in which we intend to increasingly look at power consumption as a factor in our decision making.

We also intend to assist clients who wish to invest in a socially responsible manner by producing a guide on ethical, environmentally friendly and other socially responsible investments.

Critical accounting policies

The accounting policies adopted by Hargreaves Lansdown have been consistently applied throughout the years and are set out in note 1 to the financial statements. The only significant change this year is our transition to International Financial Reporting Standards (IFRS) for our 2007 results and the restatement of comparatives. This is explained further in note 35 to the financial statements.

The preparation of our financial statements in accordance with these policies has required management to make a number of estimates, assumptions and judgements. Further details on key sources of judgements and estimation uncertainty are provided in note 3 to the financial statements.

Martin Mulligan
Group Finance Director
17 October 2007

The following directors have served during the year:

Non-Executive Directors:

Jonathan Bloomer – Senior non-executive director (aged 53)
Jonathan Bloomer became a non-executive director of the Company in September 2006. Jonathan is currently a partner in Cerberus European Capital Advisers LLP, executive Chairman of Lucida plc and Chairman of Scottish RE Group Limited. Previously, Jonathan was Chief Executive of Prudential plc. He also spent twenty years in practice with Arthur Andersen LLP. Jonathan was Chairman of the Practitioner Panel of the FSA. His previous positions also include board membership of the Association of British Insurers, Geneva Association (International Association for the Study of Insurance Economics) and Railtrack plc.

Michael Evans – Non-executive director (aged 46)
Michael Evans became a non-executive director of the Company in September 2006. Michael is a qualified actuary with 24 years' industry experience. He is a non-executive director of the retail pooled funds board of ING Real Estate Investment Management and is director of life insurance at Pinsent Masons. Michael was formerly Chief Operating Officer at Skandia UK Limited.

Executive Directors:

Stephen Lansdown FCA, FSI – Chairman (aged 55)
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 Ltd. Stephen is a Fellow of the Securities & Investment Institute.

Peter Hargreaves FCA, MSI – 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 and was recently appointed as non-executive Chairman of ITM Power plc effective from 1 January 2008. Peter is a Member of the Securities & Investment Institute.

Martin Mulligan FCA, FSI – 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.

Former Executive Directors who were directors of the Company until 28 February 2007 (now members of the Executive Committee):

Mary Theresa Barry – Group Marketing Director (aged 49)
Theresa graduated with a 2:1 in Politics from the University of Bristol. She joined Hargreaves Lansdown as the first full-time employee in 1982. Theresa has also worked in marketing at Abbey Unit Trust Managers Limited in the City of London.

Nigel Bence – Group Compliance Director (aged 36)
Nigel graduated with a First from Bristol Polytechnic (now the University of the West of England) with a BA Honours Degree in Financial Services. He joined the compliance department of Hargreaves Lansdown in 1992. In 2001, he was appointed to the role of Group Compliance Director.

Andrew Christian – Managing Director, Vantage and Broking Operations (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.

Adam Norris – Managing Director, Advisory Business (aged 36)
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 include corporate pensions and the Financial Practitioner advisory business.

Tracey Taylor FCCA, MSI – Group Accounting Director (aged 35)
Tracey joined Hargreaves Lansdown in 1999 from Lloyds TSB Bank plc. Previously she worked 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. Tracey holds an MSc in Finance and is also a Member of the Securities & Investment Institute (MSI).

Corporate Governance

The directors present their annual report on the affairs of the Group, together with the financial statements and auditors' report, for the year ended 30 June 2007.

Principal Group activities

Hargreaves Lansdown plc is the parent company of a group of companies which offers a range of investment products, investment services, financial planning and advice. Hargreaves Lansdown has established a reputation for providing high quality service and value-for-money products to private investors, whether they are making their own investment decisions or looking for an advisory or discretionary service.

The Group's flagship service, Vantage, is a direct-to-private investor fund supermarket and wrap platform. Vantage offers clients the administrative convenience of being able to hold and manage their investments, including unit trusts, OEICs, equities, bonds, investment trusts and cash, irrespective of the tax vehicle, in one place with consolidated valuation reports, a single dealing service and instant online access.

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

The subsidiary undertakings of the Group during the year are listed in note 16 to the financial statements. The principal trading subsidiaries, Hargreaves Lansdown Asset Management Limited, Hargreaves Lansdown Stockbrokers Limited, Hargreaves Lansdown Fund Managers Limited and Hargreaves Lansdown Pensions Direct Limited, are authorised and regulated by the Financial Services Authority.

Business review

A full review of the Group's business activities and future outlook are set out in the Operating and Financial Review and the Chairman's and Chief Executive's reports. Principal risks and uncertainties facing the Group are described in the Operating and Financial Review, and financial risk management information is shown in note 18 to the financial statements.

Post balance sheet events

There have been no significant events since the balance sheet date other than the exercise of share options and associated transfer of shares from the Hargreaves Lansdown EBT as described in note 33 to the financial statements.

Group results and Company dividends

Operating profit before exceptional items for the year ended 30 June 2007 was £40.7million (2006: £24.3 million) and £11.0 million after exceptional items (2006: £4.6 million). The Group profit after taxation for the year ended 30 June 2007 was £17.0 million (2006: £6.0 million).

Dividends are shown in note 11 to the financial statements. As indicated in the Prospectus published prior to the Company's admission to the main market of the London Stock Exchange in May 2007 ("Admission"), the directors have not recommended payment of a final dividend (2006: 0.36p), and have proposed that the interim dividend of 3.0p (2006: 1.45p) paid on 21 May 2007, is the final dividend in respect of the year. The first dividend payable following Admission is scheduled for March 2008 following the publication of the interim results to the 31 December 2007.

Capital Structure

The Company's shares were admitted to the official list of the UK Listing Authority and to unconditional trading on the main market of the London Stock Exchange on 18 May 2007. The Company's authorised and issued share capital at 30 June 2007 together with details of movements in share capital during the year, are shown in note 22.

The ordinary shares rank pari passu in all respects. Save as agreed at the general meeting of the shareholders, the ordinary shares have pre-emption rights in respect of any future issues of ordinary shares to the extent conferred by Section 89 of the Companies Act.

No unissued share or loan capital of the Company is under option or agreed, conditionally or unconditionally, to be put under option. The Trustee of the Employee Benefit Trust (EBT), a subsidiary of the Company, holds Ordinary Shares for the EBT for the exercise of options granted under the employee share schemes.

Restrictions on transfer of shares

The directors of the Company and directors of the subsidiary companies have given undertakings not to offer, sell or contract to sell, pledge or otherwise dispose of ordinary shares (directly or indirectly) which were held on Admission and not sold as part of the flotation, other than in certain limited circumstances. The restrictions 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.

Reporting

Shares in Hargreaves Lansdown plc are listed on the main market of the London Stock Exchange and as such the Company is required to comply with its disclosure requirements.

Retirement and re-election of directors

In accordance with the Company's Articles of Association at each annual general meeting one third of the directors (or the number nearest to, but not exceeding, one-third if their number is not an integral multiple of three) must retire 'by rotation'. Those retiring shall include any director who wishes to retire and not offer himself for re-election and any further director to retire by rotation shall be those of the other directors who have been in office for more than three years or more since their appointment or last re-appointment. Any director appointed since the last annual general meeting shall be excluded from the above 'rotation provisions' and a separate resolution to reappoint such a director must be proposed.

Stephen Lansdown and Peter Hargreaves retire by rotation at the next annual general meeting and, being eligible, offer themselves for re-election. Biographical details of the directors proposed for election and for re-election are shown on page 17.

Substantial shareholdings

As at 14 September 2007, the Company has not been notified of any shareholdings amounting to more than 3 per cent of the issued share capital of the Company other than the directors' interests which are set out further below and the following EBT shareholding:

Interested party	Date of notification	Number of Shares	Percentage held at date of notification
Hargreaves Lansdown EBT Trustees Limited	18 May 2007	18,294,585	3.86%
Hargreaves Lansdown EBT Trustees Limited	14 September 2007	12,113,960	2.55%

Directors

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

Non-Executive Directors:

Jonathan Bloomer (Senior independent non-executive director) - appointed 18 September 2006
Michael Evans - appointed 1 September 2006

Executive Directors:

Peter Hargreaves (Chief Executive Officer)
Stephen Lansdown (Chairman)
Martin Mulligan (Group Finance Director)

Jonathan Bloomer, Michael Evans and Stephen Lansdown are members of the Remuneration Committee, Audit Committee and Nomination Committee. Jonathan Bloomer acts as Chairman of these Committees.

In addition, the following also served as executive directors of the Company for part of the year. The main Board membership was changed in preparation for admission to trading on the main market of the London Stock Exchange. Accordingly on 28 February 2007 the following directors resigned from the Board of Hargreaves Lansdown plc although they continue to serve on the Executive Committee and on the Boards of certain subsidiary companies.

Former Executive Directors:

Theresa Barry
Nigel Bence
Andrew Christian
Adam Norris
Tracey Taylor

Directors' Interests

The directors who held office at 30 June 2007 had the following interests (including beneficial interests) in the shares of the Company. Changes in the interests of directors between 30 June 2007 and the date of this report are also shown below:

	Number of Ordinary Shares at the date of this report	Percentage of the issued Ordinary Share Capital at the date of this report	Number of Ordinary Shares at 30 June 2007	Percentage of the issued Ordinary Share Capital at 30 June 2007	Number of Ordinary Shares at 30 June 2006 (*)
Non-Executive Directors					
Jonathan Bloomer	15,625	< 0.01%	15,625	< 0.01%	-
Michael Evans	15,625	< 0.01%	15,625	< 0.01%	-
Current Executive Directors					
Peter Hargreaves	152,717,606	32.20%	152,717,606	32.20%	203,623,475
Stephen Lansdown	132,060,843	27.84%	132,060,843	27.84%	176,081,125
Martin Mulligan	2,330,933	0.49%	1,824,900	0.38%	2,613,600
Former Executive Directors					
Theresa Barry	13,587,131	2.86%	13,587,131	2.86%	17,894,525
Nigel Bence	791,725	0.17%	791,725	0.17%	1,050,775
Andrew Christian	5,490,650	1.16%	5,490,650	1.16%	2,704,350
Adam Norris	14,494,508	3.06%	14,458,675	3.05%	15,323,000
Tracey Taylor	889,350	0.19%	889,350	0.19%	283,800
Total	322,393,996	67.97%	321,852,130	67.86%	419,574,650

* Adjusted for the effect of the share reorganisation on 10 April 2007 as described in note 22 to the financial statements.

The above figures are exclusive of any interests under Share Options. Details of Share Options which have been granted to directors as at the date of this report pursuant to employee share schemes are set out in the directors' remuneration report.

During the period covered by this report, no director had any material interest in a contract to which the Company or any of its subsidiary undertakings was a party, requiring disclosure pursuant to section 317 Companies Act 1985 except in respect of the rental of the head office premises at Kendal House as disclosed in note 34 to the financial statements.

Employment policies

Disabled employees

Applications for employment by disabled persons are always given full and fair consideration, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Health and welfare

Hargreaves Lansdown is committed to providing a safe and healthy environment in which its employees can work. Health and Safety consultants were engaged during the year to carry out a full review of our health and safety policy and procedures, and have been retained on an ongoing basis to ensure that standards are maintained. The review of our policy is nearing completion, risk assessments have been improved and updated training for employees with health and safety responsibilities is in the course of being completed.

Equality and diversity

Hargreaves Lansdown recognises, respects and values difference and diversity. We are an equal opportunities employer and it is our policy to ensure that all job applicants and employees are treated fairly and on merit regardless of their race, gender, marital status, age, disability, religious belief or sexual orientation. The Group seeks to ensure all employees and applicants to its businesses are given equal opportunity in all aspects of employment to ensure that the Group's businesses attract, retain and promote the best available talent. All the businesses work to embed these principles in all aspects of their management practices and to ensure that this is evident to employees in their day-to-day work.

Further employment information is provided in the Operating and Financial Review.

Supplier payment policy

The Company's policy, which is also applied by the Group, is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by the terms of payment. Trade creditors of the Group at 30 June 2007 were equivalent to 23 (2006 - 33) days' purchases, based on the average daily amount invoiced by suppliers during the year.

Client service

Hargreaves Lansdown aims to ensure that we treat our clients fairly in every aspect of our dealings with them and to provide a first class service at all times.

The fair treatment of our clients is central to our corporate culture and we aim to provide the best information, the best service and the best prices to our clients. We strive to provide clear information to all our clients and keep them appropriately informed at all times whilst they remain a client of Hargreaves Lansdown. We aim to ensure that our services and investment performance meet our clients' expectations. We continually strive to improve our services to ensure they are designed and targeted appropriately and that any advice we provide is suitable for our clients. We will never impose unreasonable barriers to prevent clients from switching their investments or make a complaint.

If clients ever feel the need to complain, our complaints handling team carefully investigate our client's complaint and endeavour to provide them with a fair resolution. We benchmark our performance in treating clients fairly against statistics published annually by the Financial Ombudsman Service for the industry. The results for our last financial year compared against the last figures published by the Ombudsman show that Hargreaves Lansdown is achieving exceptionally good results in treating our clients fairly when they complain.

Special business

Resolutions are to be proposed as special business at the Annual General Meeting on 30 November 2007 to enable the directors to allot unissued shares and, subject to the limits therein contained, to allot shares for cash other than to existing shareholders in proportion to their shareholdings. The resolution enabling directors to allot unissued shares will be limited to the allotment of shares up to a maximum nominal amount of £202,725.50, which represents the difference between the company's authorised and issued share capital at 17 October 2007. The directors do not have any present intention of exercising such authority and the authority will expire at the conclusion of the next AGM after the passing of the proposed resolution. The resolution enabling the directors to allot shares other than to existing shareholders in proportion to their shareholdings is limited to the allotment of shares up to a maximum nominal value of £94,863.72, which represents 5% of the total ordinary share capital in issue as at 17 October 2007. Both of these resolutions seek authorities which are in accordance with the current guidelines issued by the Investment Committees of the Association of British Insurers and the National Association of Pension Funds.

Auditors

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

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.
By order of the Board,

Tracey Taylor
Company Secretary
17 October 2007

Corporate Governance Statement

In this section of our Annual Report and Accounts, we explain the key elements of the Group's corporate governance structure.

The directors of Hargreaves Lansdown plc are committed to high standards of corporate governance practices and the Company is committed to the principles of corporate governance contained in the Combined Code on Corporate Governance that was issued in 2003 by the Financial Reporting Council ('the Code') for which the Board is accountable to shareholders.

Statement of compliance with the Combined Code

From the period since Admission to the main market of the London Stock Exchange ("Admission") to 30 June 2007, Hargreaves Lansdown plc has applied the principles and complied with the provisions of Section 1 of the Combined Code on Corporate Governance with the following three exceptions:

1. Composition of the Board

The Board has five directors of which two are independent non-executive directors. A re-balancing of the Board will take place when a suitable additional non-executive director is identified to meet the Code requirement for FTSE 350 companies that at least half the Board, excluding the Chairman, should comprise independent non-executive directors.

It is the policy of the Company to promote senior executives to the Board from within the operating subsidiaries. In the past this has resulted in a large number of executive directors and so, as a step towards achieving compliance with the Combined Code, prior to Admission five of the former executive directors resigned from the Board of the Company but they continue to serve as members of the Executive Committee and as directors for several of the main trading subsidiaries.

2. Constitution of Remuneration and Audit Committee

The Code requires that Audit and Remuneration committee members should be independent non-executive directors and that they should be in the majority on the Nomination committee. Stephen Lansdown is an executive director and so is not independent. It is recognised that this does not meet Code requirements and it is the intention that upon appointment of a third non-executive director referred to above, the new non-executive will replace Stephen Lansdown as a member of the Audit, Nomination and Remuneration committees.

3. Independence of the Chairman on appointment

The Chairman does not meet the independence criteria set out in the Code since he is an executive director of the Company.

Details of how Hargreaves Lansdown complied with the Code are summarised in this statement.

Statement about applying the principles of the Code

The Company has applied the principles set out in section 1 of the Code, including both the main principles and the supporting principles, by complying with the Code as reported above. Further explanation of how the principles and supporting principles have been applied is set out below and in the directors' remuneration report and Audit Committee report.

Directors

Board of directors

As at 30 June 2007, the Board of Hargreaves Lansdown comprised of 3 executive members and 2 non-executive directors. All of the directors bring strong judgement to Board deliberations. The Board is of sufficient size and diversity that the balance of skills and experience is considered to be appropriate for the requirements of the business.

The Chairman has primary responsibility for running the Board. The Chief Executive, Peter Hargreaves, has executive responsibilities for the operations, results and strategic development of the Group. Clear divisions of accountability and responsibility exist and operate effectively for these positions.

The Board requires all non-executive directors to be independent in their judgement and free from any business or other relationship that could interfere with the exercise of objective judgement. The non-executive directors do not participate in any of the Groups share option or other incentive schemes.

Biographies for the board of directors, including details of any other significant directorships or appointments, are set out on page 17.

Role of the Board

The Board determines the strategic direction of the Group and reviews operating, financial and risk performance. It is the decision-making body for all other matters deemed material to the Group in strategic, financial and reputational terms. The non-executive directors constructively challenge the management team and supplement the executive directors' management expertise with a diversity of business skills and experience.

The Board and its Committees meet regularly. Formal minutes or reports of each of these meetings are circulated to all directors.

The Board has delegated full authority to the Executive Committee subject to a list of matters which are reserved for decision by the full Board. There is a formal schedule of those matters reserved to the Board, which includes:

- approval of corporate strategies and objectives;
- approval of interim and final financial results and payment of dividends;
- the appointment of directors;
- approval of major capital expenditure;
- approval of annual budgets and medium term plans;
- approval of significant changes in the Group structure and product range.

The Board has delegated the day-to-day management of the Group to the Group Chief Executive, who is supported by the executive directors and senior executives. The Group Chief Executive and executive directors of the Group are responsible to the Board for developing strategy and the profitability and overall performance of the Group.

Board responsibilities

The Board meets a minimum of four times each financial year to discuss matters such as current performance, long term planning, material capital commitments and risk management. During the intervening months, meetings of the Executive Committee are held and minutes from the meeting are circulated to the Board.

All directors may take independent professional advice at the Company's expense in conducting their duties.

For all new directors the Chairman is responsible for preparing and implementing a personalised induction programme including guidance as to their duties, responsibilities and liabilities as a director of the Company. Every director has access to appropriate training as required subsequent to appointment. The need for director training is regularly assessed.

The Chairman has conducted interviews with each director and assessed their individual performance. Non-executive directors have assessed the performance of the Chairman. The conclusions of those assessments have been presented to the Board by the Chairman and the senior independent non-executive director. The evaluation process is designed to cover Board processes, the structure and capability of the Board, strategic alignment and the skills brought to the Board by each director.

Board committees

There are a number of Committees of the Board to which various matters are delegated. The Committees all have formal Terms of Reference that have been approved by the Board, and performance of the Committees are assessed annually by the Board. Terms of reference of the Audit, Remuneration and Nomination Committee are available on the Group's website (www.H-L.co.uk). Details are set out below:

The Nomination Committee

The Nominations Committee leads the process for Board appointments, re-election and succession of directors and the Chairman. It is responsible for making recommendations to the Board concerning the composition of the Board including proposed appointees to the Board, whether to fill any vacancies that may arise or to change the number of Board members. The committee is chaired by Jonathan Bloomer and its members during the period since Admission were Michael Evans and Stephen Lansdown. The Company Secretary also attends in her capacity as Secretary of the Company. The Nominations committee meets at least once each year.

There is a formal, rigorous and transparent procedure for the appointment of new directors to the Board. This process will involve the Nomination Committee interviewing suitable candidates who are proposed by either existing Board members or by an external search company. Careful consideration will be given to ensure appointees have enough time available to devote to the role and that the balance of skills, knowledge and experience on the Board will be maintained. When the Committee has found a suitable candidate, the Chairman of the Committee will make a proposal to the whole Board and the appointment is the responsibility of the whole Board following recommendation from the Committee.

All directors have to submit themselves for re-election at least every three years if they wish to continue serving and are considered by the Board to be eligible.

Remuneration Committee

The Remuneration Committee is responsible for the framework or broad policy for the fair remuneration of the Executive Directors of the Group as well as their performance management. These will be determined with due regard to the interests of the Company and the Shareholders. It monitors the levels and structure of remuneration for senior management and seeks to ensure that they are designed to attract, retain and motivate the Executive Directors needed to run the Company successfully. The Remuneration Committee meets at least twice during each financial year. The committee is chaired by Jonathan Bloomer and its other members during the period since Admission were Michael Evans and Stephen Lansdown.

The responsibilities of the Remuneration Committee and an explanation of how it applies the directors' remuneration principles of the Combined Code, are set out in the directors' remuneration report.

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. The Audit Committee's primary responsibilities are to review the financial statements, to review the Group's internal control and risk management systems, to consider the appointment of the external auditors, their independence and reports to the Committee, as well as to review the programme of Internal Audit. The committee is chaired by Jonathan Bloomer and its other members during the period since Admission were Michael Evans and Stephen Lansdown. It is intended that the Audit committee should meet at least three times each year.

The committee met four times during this financial year. On each occasion the Head of Internal Audit, Group Compliance Director, Group Accounting Director and Group Finance Director were invited to attend. The external auditors attended three of the meetings.

It is a specific responsibility of the Audit Committee to ensure that an appropriate relationship is maintained between the Company and its auditors. The Company has a policy of controlling the provision of non-audit services by the external auditors in order to maintain their independence and ensure that their objectivity and independence are safeguarded. Where non-audit fees are expected to be significant, either individually or cumulatively, the prior approval of the Chairman of the Audit Committee is required.

The Committee has scrutinised the internal procedures of Deloitte and satisfied itself that the independence and objectivity of the auditors are not affected by the non-audit work undertaken. The Company has an internal audit function and the relationship between it and the external auditors is routinely assessed at Committee meetings. The Company has developed a whistle blowing arrangement to deal with complaints from employees about any accounting or financial management impropriety or other questionable practices or conduct should they arise.

Executive committee

The Board has delegated full authority to the Executive Committee subject to a list of matters which are reserved for decision by the full Board. In particular the Executive Committee is responsible to the Chief Executive for developing and monitoring every aspect of the Group businesses on a continuing basis, for developing and implementing business strategy as agreed by the Board and ensuring that day to day operations are conducted in accordance with the relevant regulatory and statutory requirements.

The Executive Committee, established in March 2007, is chaired by Theresa Barry, Group Marketing Director, and also comprises Nigel Bence, Andrew Christian, Adam Norris and Tracey Taylor. Lee Gardhouse and Alex Davies are also invited to attend in their roles as directors of subsidiary Group companies. The Executive Committee meets at least quarterly but more frequently when required.

Attendance at meetings during the financial year

	Board Meetings *	Board Meetings (IPO) *	Audit committee meetings	Remuneration committee meetings	Nomination committee meetings	Executive committee meetings
Current directors						
Peter Hargreaves	5/5	5/6	1/1	2/2	-	-
Stephen Lansdown	5/5	6/6	2/2	3/3	1/1	-
Martin Mulligan	5/5	4/6	3/3	-	-	-
Jonathan Bloomer	3/3	1/6	3/3	1/1	1/1	-
Michael Evans	4/4	1/6	4/4	1/1	1/1	-
Former executive directors						
Theresa Barry	2/3	0/3	1/1	2/2	-	1/1
Nigel Bence	3/3	1/3	3/3	-	-	1/1
Andrew Christian	3/3	0/3	-	-	-	1/1
Adam Norris	3/3	1/3	-	-	-	1/1
Tracey Taylor	2/3	3/3	3/3	-	-	1/1

* Where board meetings have been held for a specific purpose to discuss matters at short notice, all board members are sent papers and given the opportunity to comment by telephone or email if they are unable to attend at short notice. Six board meetings held during the year were convened to allow the IPO working party to discuss specific matters relevant to the IPO and as such all directors were not required to be in attendance.

Training

The Group's overall objective is to maintain and enhance professional standards for all its employees. It is particularly necessary to maintain these standards for all staff who fall under the scope of the Financial Services Authority Training and Competence rules. All directors and staff under the scope of these rules are required to perform a certain number of hours of development training during a year. This development training is divided into structured and unstructured time.

New directors are given an induction process, which includes time with several of the senior managers and executives in a number of business areas, demonstrations of systems and visits to the offices.

Performance evaluation

Individual appraisal of each director's performance is undertaken either by the Chief Executive or Chairman each year and involves meetings with each director on a one-to one basis. The non-executive directors, led by the senior independent director, carry out an appraisal of the performance of the Chairman.

Other information

Any director has access to the advice and services of the Company Secretary and may seek independent professional advice, if necessary, at the Company's expense. The Company Secretary is responsible to the Board for ensuring Board procedures are followed. Any removal or appointment of the Company Secretary is decided by the Board.

Relations with Shareholders

Shareholder relations

The Company is committed to maintaining good communications with shareholders and has a programme of communication with shareholders through interim and annual reports, the AGM and the Investor Relations section of the corporate website at www.H-L.co.uk. It is intended that all directors will attend each AGM and shareholders will be given the opportunity to participate by asking questions at the AGM on 30 November 2007. In addition, the Chairman, Chief Executive and Group Finance Director intend to have dialogue with individual institutional shareholders in order to develop an understanding of their views which can be fed back to the Board. General presentations are also given to analysts and investors covering the annual and interim results.

Accountability and audit

Going concern

The financial statements are prepared on a going concern basis as the directors are satisfied that, at the time of approving the financial statements, the Group has the resources to continue in business for the foreseeable future.

Internal control and risk management

The Board has overall responsibility for the Company's system of internal control and risk management and for reviewing its effectiveness. The directors are required to establish systems for the control of the conduct of the business and to conduct the business with prudence and integrity. In discharging this responsibility, the Board confirms that it has established the procedures necessary to apply the Code, including clear operating procedures, lines of responsibility and delegated authority. These procedures have been in place since Admission and will be regularly reviewed by the Board. Business performance is managed closely and the Board and the Management have established processes, as part of the normal good management of the business, to monitor:

- strategic plan achievement, through a regular review of progress towards strategic objectives;
- financial performance, within a comprehensive financial planning and accounting framework, including forecasting, financial reporting, reviewing variances against plan and taking appropriate management action; and
- risk management processes, which accord with the Turnbull guidance and are supported by reports from the Head of Internal Audit that the significant risks faced by the Company are being identified, evaluated and appropriately managed, having regard to the balance of risk, cost and opportunity.

The key features of the system of business control and risk assessment established by the Board include:
- a well defined management structure with clear accountabilities and delegations;
- the Group Audit Committee, the Executive Committee, and a system of executive management risk committees, which enhance and support the oversight role of the Board;
- a planning process that delivers detailed annual financial forecasts and targets for Board approval;
- management information systems which enable the Board to receive comprehensive monthly analysis of financial and business performance;
- an Internal Audit function which reports to the Audit Committee on the effectiveness of key internal controls in relation to these major risks;
- a Compliance function to manage relationships with the Group's key regulators and to identify major compliance and regulatory risks;
- a Money Laundering Reporting Officer and anti-money laundering procedures, and controls including training programmes for all staff;
- a Financial Crime and Risk Management Committee, chaired by the Money Laundering Reporting Officer, which considers the potential exposure of the Group to loss through financial crime and the controls in place to mitigate the risk of such loss; and
- a Group Internal Control Policy requiring all senior managers to identify major risks and monitor the effectiveness of internal controls applied throughout the business. The Group's Internal Audit Department carries out reviews of the effectiveness of internal controls operated by each department or business unit as part of the audit of that department or unit;

In addition, the Audit Committee receives reports from the Head of Internal Audit and Risk on the work carried out under the annual internal audit plan, and also reports from the external auditors.

The Board has delegated oversight of the Group's Internal Control Policy to the Audit Committee. The Audit Committee received reports on the current operation of internal controls in relation to key and emerging risks, and the Audit Committee carried out an overall review of the effectiveness of the Group's system of internal control for the year to 30 June 2007 and the period to the date of this report, on behalf of the Board.
The Board has delegated oversight of the Group's risk management policies and procedures to the Executive Committee. There has been in place for the year under review and up to the date of this report a process of identifying, evaluating and managing the significant risks faced by the Group. A summary of the significant risks is provided within the Operating and Financial Review. This process is regularly reviewed by the Board and accords with the Turnbull Guidance for directors on the Combined Code.

The Board receives minutes and reports from the Chairmen of the Audit Committee and the Executive Committee. These identify any significant issues relating to the adequacy of the Group's system of internal control and to the risk management policies and procedures across the full range of risks to which the Group is exposed, and how they are being controlled. The Board, the Executive Committee and the Audit Committee receive reports from the Head of Internal Audit identifying the effectiveness of internal controls together with specific reports on any major issues.

The majority of the activities of the Group, including the systems of business control, are subject to supervision by the Financial Services Authority. The Group is required on a regular basis to submit detailed prudential and statistical returns covering all areas of its business and meets regularly with its supervisors, conducting the relationship in an open and constructive manner.

Through the monitoring processes set out above, the Board has conducted a review of the effectiveness of the system of internal control during the year ended 30 June 2007. The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and provide reasonable assurance as to the effectiveness of the safeguards protecting the business against the risk of material error, loss or fraud. In that context, the review, in the opinion of the Board, did not indicate that the system was ineffective or unsatisfactory and the Board is not aware of any change to this status up to the approval of this Annual Report.

Model Code

The Company has its own internal dealing rules which extend the FSA Listing Rules Model Code provisions to all employees.

Audit committee and auditors

The Audit Committee report on the following pages provides details of the role and activities of the committee and its relationship with the internal and external auditors.

Stephen Lansdown
Chairman
17 October 2007

Audit Committee Report

Summary of the role of the Audit Committee

The Audit Committee is appointed by the Board. The Audit Committee's terms of reference include all matters indicated by the Combined Code. The terms of reference are considered annually by the Audit Committee and are then referred to the Board for approval.

The Audit Committee is responsible for:

- monitoring the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance and reviewing significant financial reporting judgements contained therein;
- reviewing the Group's internal financial controls and, unless expressly addressed by the Board itself, the Group's internal control and risk management systems;
- monitoring and reviewing the effectiveness of the Group's internal audit function;
- making recommendations to the Board, for a resolution to be put to the shareholders for their approval in general meeting, in relation to the appointment of the external auditors and the approval of the remuneration and terms of engagement of the external auditors;
- reviewing and monitoring the external auditors' independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements; and
- developing and implementing a policy on the engagement of the external auditors to supply non-audit services, taking into account relevant guidance regarding the provision of non-audit services by the external audit firm.

The Audit Committee is required to report its findings to the Board, identifying any matters in respect of which it considers that action or improvement is needed, and make recommendations as to the steps to be taken.

Composition of the Audit Committee

The members of the Audit Committee are:

Name	Date of appointment	Qualification
Jonathan Bloomer	18 September 2006	Chartered accountant
Michael Evans	1 September 2006	Actuary
Stephen Lansdown	28 February 2007	Chartered accountant

Membership of the Committee is reviewed by the Chairman of the Committee at regular intervals and any recommendation for new appointments are made to the Nominations Committee for onward recommendation to the Board. Appointments are for a period of three years and are extendable by no more than two additional three year periods. It is the intention that the Committee will comprise of three independent non-executive directors when a third non-executive director is appointed to the Board. Three members constitute a quorum.

The Audit Committee structure requires the inclusion of one financially qualified member (as recognised by the Consultative Committee of Accountancy Bodies). Currently the Audit Committee Chairman fulfils this requirement. All Audit Committee members are expected to be financially literate.

The Group provides an induction programme for new Audit Committee members and ongoing training to enable all of the Committee members to carry out their duties. The induction programme covers the role of the Audit Committee, its terms of reference and expected time commitment by members; and an overview of the Group's business, including the main business and financial dynamics and risks. New Committee members also meet some of the Group's staff. Ongoing training includes attendance at formal conferences, internal company seminars and briefings by external advisers.

The Board expects the Audit Committee members to have an understanding of:

- the principles of, contents of, and developments in financial reporting including the applicable accounting standards and statements of recommended practice;
- key aspects of the Group's operations including corporate policies, Group financing, products and systems of internal control;
- matters that influence or distort the presentation of accounts and key figures;
- the principles of, and developments in, company law, sector-specific laws and other relevant corporate legislation;
- the role of internal and external auditing and risk management;
- the regulatory framework for the Group's businesses; and
- environmental and social responsibility best practices.

Meetings

The Audit Committee is required to meet four times per year and has an agenda linked to events in the Group's financial calendar. The agenda is predominantly cyclical and is therefore approved by the Audit Committee Chairman on behalf of his or her fellow members. Each Audit Committee member has the right to require reports on matters of interest in addition to the cyclical items.

The Audit Committee invites the Group Chief Executive, Group Finance Director, Group Accounting Director, Head of Internal Audit, Group Compliance Director and senior representatives of the external auditors to attend all of its meetings in full, although it reserves the right to request any of these individuals to withdraw. Other senior management are invited to present such reports as are required for the Committee to discharge its duties.

Overview of the actions taken by the Audit Committee to discharge its duties

Since 1 July 2006 the Audit Committee has:

- reviewed the financial statements in the 2006 reports and accounts, the interim report issued in January 2007, the documents prepared for the purposes of Admission to the main market including the Prospectus. As part of this review the Committee received a report from the external auditors on their audit of the annual reports and accounts and review of the interim report and reports from external advisers;
- considered the output from the Group-wide process used to identify, evaluate and mitigate risks;
- reviewed the effectiveness of the Group's internal controls and disclosures made in the annual report and accounts on this matter;
- reviewed and agreed the scope of the audit work to be undertaken by the auditors;
- monitored the work being undertaken by the Group in preparation for the introduction of International Financial Reporting Standards;
- considered a report from the external auditors on their review of the effectiveness of controls across the Group and received a report on management action taken in response to work undertaken by the auditors in 2006;
- agreed the fees to be paid to the external auditors for their audit of the 2007 accounts and interim report;
- reviewed its own effectiveness;
- undertaken an evaluation of the performance of the Internal Audit function;
- agreed a programme of work for the Company's Internal Audit function;
- undertaken an evaluation of the performance of the external auditors;
- received reports from the Head of Internal Audit on the work undertaken by Internal Audit and management responses to proposals made in the audit reports issued by the function during the year; and
- received presentations on the Group's treasury and tax functions.

External auditors

The Audit Committee is responsible for the development, implementation and monitoring of the Group's policy on external audit. The policy assigns oversight responsibility for monitoring the independence, objectivity and compliance with ethical and regulatory requirements to the Audit Committee, and day to day responsibility to the Group Accounting Director. The policy states that the external auditors are jointly responsible to the Board and the Audit Committee and that the Audit Committee is the primary contact.

The Group's policy on external audit sets out the categories of non-audit services which the external auditors will and will not be allowed to provide to the Group, subject to de minimis levels and Audit Committee Chairman approval.

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

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

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

- the external auditors' fulfilment of the agreed audit plan and variations from the plan;
- the robustness and perceptiveness of the auditors in their handling of the key accounting and audit judgements; and
- the content of the external auditor's Internal Control Report.

As a consequence of its satisfaction with the results of the activities outlined above, the Audit Committee has recommended to the Board that the external auditors are re-appointed.

Internal Audit function

The Audit Committee is required to assist the Board to fulfil its responsibilities relating to the adequacy of the resourcing and plans of the Internal Audit department. To fulfil these duties, the Committee reviewed:

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

The Group's Whistleblowing Policy contains arrangements for the Head of Internal Audit to receive, in confidence, complaints on accounting, risk issues, internal controls, auditing issues and related matters for reporting to the Audit Committee as appropriate.

Overview

As a result of its work during the year, the Audit Committee has concluded that it has acted in accordance with its terms of reference and has ensured the independence and objectivity of the external auditors.

The Chairman of the Audit Committee will be available at the Annual General Meeting to answer any questions about the work of the committee.

Approval

This report was approved by the Audit Committee and signed on its behalf by:

Stephen Lansdown
Member of the Audit Committee
17 October 2007

Directors' Remuneration Report

Introduction

This report has been prepared in accordance with Schedule 7A to the Companies Act 1985. The report also meets the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the Board has applied the principles relating to directors' remuneration. As required by the Act, a resolution to approve the report will be proposed at the Annual General Meeting of the Company at which the financial statements will be approved.

The Act requires the auditors to report to the Company's members on certain parts of the directors' remuneration report and to state whether in their opinion those parts of the report have been properly prepared in accordance with the Companies Act 1985. The report has therefore been divided into separate sections for audited and unaudited information.

Unaudited information

Remuneration committee

Hargreaves Lansdown was admitted to the main market of the London Stock Exchange and to unconditional dealing on 18 May 2007 ("Admission"). This report deals with the remuneration policies and the work of the Remuneration Committee in the period since Admission.

The Company has established a Remuneration Committee. The Remuneration Committee is responsible for the framework or broad policy for the fair remuneration of the Executive Directors of the Company and its subsidiaries as well as their performance management. These will be determined with due regard to the interests of the Company and the Shareholders. The Committee makes recommendations to the Board. No director plays a part in any discussion about his or her own remuneration. The Remuneration Committee will meet at least twice per year and is governed by formal Terms of Reference. They are reviewed annually and can be viewed at www.H-L.co.uk.

The Remuneration Committee is constituted in accordance with the recommendations of the Combined Code, except for the inclusion of Stephen Lansdown as a member of the committee. The members of the committee during 2006/07 from the period since Admission to the date of this report were Jonathan Bloomer, Michael Evans and Stephen Lansdown. Jonathan Bloomer and Michael Evans are independent non-executive directors and the committee is chaired by Jonathan Bloomer. Stephen Lansdown is the Chairman of the Company and an executive director. The constitution of the Remuneration Committee is therefore not strictly in compliance with the principle of the Combined Code which requires that this committee should comprise only independent non-executive directors. However, the directors consider that the Remuneration Committee will, in practice, operate in compliance with the Combined Code's principles of independence. It is intended that upon appointment, a further independent non-executive director will replace Stephen Lansdown on the Remuneration Committee.

None of the Committee has any personal financial interest (other than as shareholders), conflicts of interests arising from cross-directorships or, except for Stephen Lansdown, any day-to-day involvement in running the business.

In determining the directors' remuneration for the year, the Committee consulted Peter Hargreaves (Chief Executive) and Theresa Barry (Group Marketing Director) about its proposals and they both attend meetings at the invitation of the Committee except when their own remuneration is being discussed.

The role of the Committee

The Committee's purpose is to:
- determine and recommend to the Board the remuneration policy for the Chairman, executive directors of the Company and of the subsidiary companies;
- ensure the level and structure of remuneration is designed to attract, retain, and motivate the executive directors needed to run the Company and the Group; and
- monitor the level and structure of remuneration for senior management.

The Committee also ensures that the remuneration relationship between the executive directors and senior executives of the Company below this level is appropriate. In particular, any exceptional remuneration arrangements for senior executives are advised to the Committee.

Remuneration policy for the executive directors of the Company and of the subsidiary companies

Executive remuneration packages are prudently designed to attract, motivate and retain directors of the high calibre needed to maintain the Group's position as a market leader and to reward them for enhancing value to shareholders. The performance measurement of the executive directors and key members of senior management and the determination of their annual remuneration package are undertaken by the Committee.

There are five main elements of the remuneration package for executive directors and senior management:
- basic annual salary;
- benefits-in-kind;
- share option incentives;
- pension arrangements and;
- annual bonus payments.

Hargreaves Lansdown has a long-standing policy of rewarding talent and experience. Incentives are provided for delivering high growth and high returns for shareholders. The Committee believes that a significant proportion of total remuneration should be performance-related to closely align the interests of shareholders and executive directors of the Group. As described below, executive directors may earn annual performance-related bonus payments together with the benefits of participation in share option schemes.

In determining the balance between the fixed and variable elements of the executive directors' remuneration packages, the Committee has regard to policy and also market practice. The remuneration strategy for executive directors and other key executives is tailored to emphasise the delivery of strong year-on-year earnings growth as well as sustained performance in the longer term. Performance is rewarded through a combination of cash and longer term share awards as appropriate. This ensures continued emphasis on strong annual performance combined with long-term executive share ownership, provides a strong link between the incentives received and shareholder value delivered.

Hargreaves Lansdown operates in a highly competitive environment. The success and performance of the business depends on teamwork and the talents of the key team. Hargreaves Lansdown has a loyal, stable and successful management team, and the Group continues to build and retain the management team at senior levels. We believe our incentives should support the continued progress within the existing business, and the creation of new businesses. The Committee has reviewed the current remuneration arrangements in light of these requirements and in comparison with comparator companies.

Basic annual salary

An executive director's basic salary is reviewed annually by the Committee prior to the beginning of each financial year and when an individual changes position or responsibility. In deciding appropriate levels, the Committee considers salaries throughout the Group as a whole, survey data and information provided by advisers and up-to-date information on a comparator group of companies in the financial sector.

Basic salaries were reviewed in June 2007 with increases taking effect from 1 July 2007. On average salaries were increased by 35 per cent to bring salaries in line with those of other comparable listed companies. Executive directors' contracts of service which include details of remuneration will be available for inspection at the Annual General Meeting.

Benefits-in-kind

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

Share option incentives

The executive directors of the Company and subsidiary companies may have options granted to them under the terms of the Executive Share Option Scheme. Options under this scheme may be granted to employees and directors of the Company and its subsidiaries as selected by the Remuneration Committee. Under that scheme, options are allocated to qualifying employees and directors by reference to individual past performance and therefore the exercise of options granted under the Executive Scheme are not dependent upon performance criteria.

The executive directors of the Company and subsidiary companies are entitled to participate in the SAYE share option scheme on the same terms as all other employees. They are also entitled to participate in the Share Incentive Plan (SIP) on the same terms as all other employees.

The exercise price of the options granted under the above schemes is equal to the market value of the Company's shares at the time when the options are granted. Benefits received under share incentive schemes are not pensionable.

The Group does not operate any long-term incentive schemes other than the share option schemes described above. No significant amendments are proposed to be made to the terms and conditions of any entitlement of a director to share options.

Pension arrangements

Executive directors are eligible to join the Group defined contribution personal pension scheme (the "PPS"). The Company contributes up to 2 per cent of salary to the PPS as a matching contribution. Bonuses and other benefits are not pensionable. All staff and executive directors become eligible to join the PPS on 1 October each year.

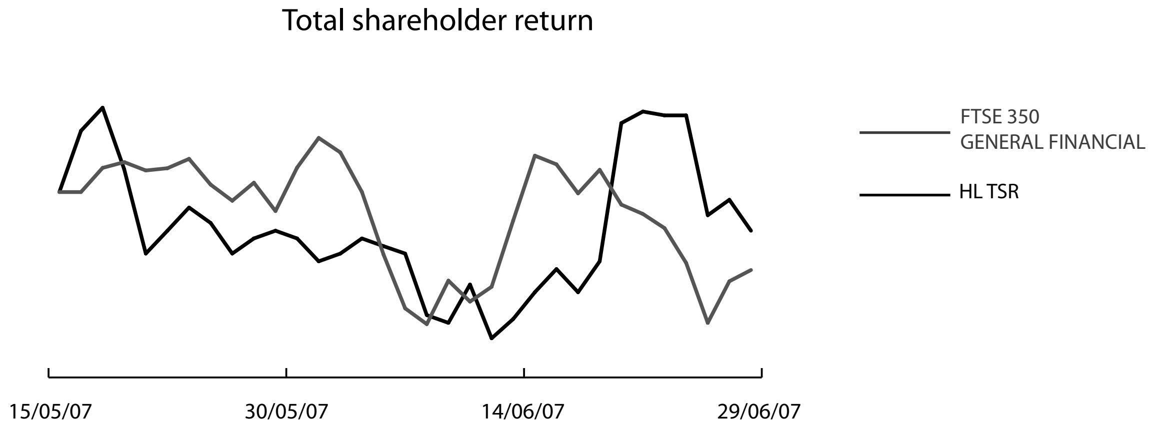
Peter Hargreaves and Stephen Lansdown do not participate in the PPS. In previous years the Company has instead contributed to their small self-administered pension schemes which are administered within the Company (the "SSASs"). The Company no longer contributes to these SSASs which are now fully funded within HMRC limits. Funds held within the SSASs have recently been transferred into the Hargreaves Lansdown Vantage SIPP service.

Annual bonus payments

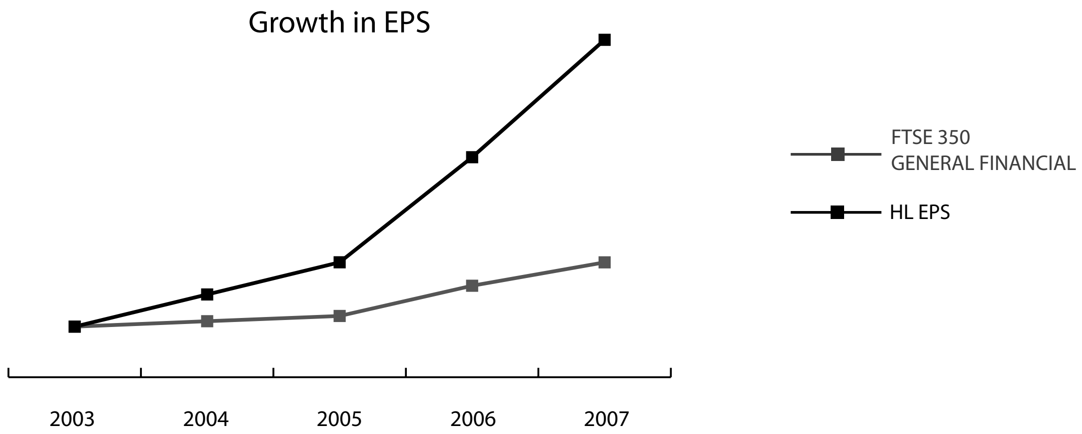
The directors' service contracts provide that the executives may be paid a discretionary bonus for each financial year of the Company, subject to a maximum bonus of 100 per cent of salary in the case of Stephen Lansdown, Peter Hargreaves and Theresa Barry. The Committee establishes the objectives that must be met for each financial year if a cash bonus is to be paid. In setting appropriate bonus parameters the Committee refers to research on a comparator group of companies. The Committee believes that any incentive compensation awarded should be tied to the interests of the Company's shareholders and that the principal measure of those interests is Earnings Per Share. Account is also taken of the relative success of the different parts of the business for which the executive directors are responsible and the extent to which the strategic objectives set by the Board are being met. The Committee does not consider it appropriate to set an upper limit on discretionary awards because of the remuneration practices and culture within the Group, in common with many other financial services companies. Annual bonus payments to executive directors and management are not capped and are not pensionable.

Performance graph

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



As the Company was not listed on a stock exchange prior to May 2007, a comparison of TSR prior to 15 May 2007 has not been possible due to the absence of a quoted share price. The Company's performance measured using underlying adjusted earnings per share (EPS) has also been compared against the performance of the FTSE 350 General Financial Index.



Directors' contracts

It is the Company's policy that executive directors should have contracts with an indefinite term providing for a maximum of one year's notice. All executive directors currently have contracts which are subject to one year's notice by either party. The Company may at any time exercise its discretion to pay the executives in lieu of the notice period.

Peter Hargreaves and Stephen Lansdown who are proposed for re-election at the next annual general meeting have service contracts which provide for a notice period of one year.

Hargreaves Lansdown recognises that its Executive Directors may be invited to become non-executive directors of other companies. Such non-executive duties can broaden experience and knowledge which can benefit the Company. Subject to approval by the Board, Executive Directors are allowed to accept non-executive appointments and retain the fees received, provided that these appointments are not likely to lead to conflicts of interest. Peter Hargreaves currently receives fees of £20,000 p.a in respect of his duties as a non-executive director of ITM Power plc.

The details of the directors' contracts are summarised in the table below:

Name of director	Date of contract	Notice period
Current executive directors		
P Hargreaves	5 April 2007	12 months
S Lansdown	5 April 2007	12 months
M Mulligan	15 January 2007	12 months
Former executive directors		
M T Barry	5 April 2007	12 months
A Norris	1 November 2006	12 months
A Christian	10 October 2006	12 months
N Bence	10 October 2006	12 months
T Taylor	28 November 2006	12 months

Non-executive directors

All non-executive directors have specific terms of engagement, which are available for inspection, and their remuneration is determined by the Board within the limits set by the Articles of Association and based on independent surveys of fees paid to non-executive directors of similar companies. Each non-executive director is a member of the Remuneration Committee, Nominations Committee and Audit Committees, and the basic fee of £35,000 p.a paid includes a fee for membership of each committee. Additional fees of £15,000 p.a are paid to Jonathan Bloomer for chairmanship of the three committees. Non-executive directors cannot participate in any of the Company's share option schemes and are not eligible to join the Company's pension scheme.

Appointments are for a fixed term of three years from the commencement date unless terminated by either party on three months' written notice or by the Company at any time with immediate effect on payment in lieu of notice. Non-executive directors are entitled to reimbursement of all reasonable and properly documented travel, hotel and other incidental expenses incurred in the performance of their duties and the Company maintains appropriate directors' and officers' liability insurance for their benefit.

Audited information

Aggregate directors' remuneration

The total amounts for directors' remuneration were as follows:	2007 £'000	2006 £'000
Pension contributions	9	185
Emoluments	25,730	20,958
Gains on exercise of share options	1,752	253
Share-based payments	160	654
	27,651	22,050

Directors' pension entitlements

8 directors were members of money purchase schemes during 2007 (2006: 8). Contributions paid by the Company in respect of such directors were as follows:

Name of director	2007 £	2006 £
Current Executive Directors		
P K Hargreaves	-	123,130
S P Lansdown	-	51,840
M J Mulligan	2,000	2,000
Former Executive Directors *		
M T Barry	1,333	2,000
A Norris	1,333	2,000
A Christian	1,333	2,000
N Bence	1,333	2,000
T Taylor**	1,333	283
	8,665	185,253

** amounts shown cover the period in which the person served as a director of the Company during 2007.*
*** amounts shown cover the period in which the person served as a director of the Company during 2006.*

Directors' emoluments

Name of director	Fees/Basic salary £	Benefits in kind £	Performance bonuses £	2007 Total £	2006 Total £
Current Executive Directors					
P K Hargreaves	141,667	34,979	10,000,000	10,176,646	9,100,000
S P Lansdown	129,167	5,673	9,925,000	10,059,840	7,100,000
M J Mulligan	100,000	-	425,000	525,000	375,000
	370,834	40,652	20,350,000	20,761,486	16,575,000
Former Executive Directors *					
M T Barry	66,667	-	3,516,667	3,583,334	3,000,000
A Norris	66,667	-	266,667	333,334	375,000
A Christian	66,667	-	266,667	333,334	345,000
N Bence	66,667	-	233,333	300,000	320,000
T Taylor**	66,667	-	283,333	350,000	42,231
	333,335	-	4,566,667	4,900,002	4,082,231
Non-executive Directors					
J Bloomer	39,511	-	-	39,511	-
M Evans	29,167	-	-	29,167	-
	68,678	-	-	68,678	-
Aggregate emoluments	**772,847**	**40,652**	**24,916,667**	**25,730,166**	**20,657,231**

**amounts shown cover the period during the 2007 financial year in which the person served as a director of the Company, and the amounts include annual performance bonuses accrued for the relevant period, but exclude unearned exceptional bonus costs. **2006 amounts shown for T Taylor cover the period during the 2006 financial year in which T Taylor served as a director of the Company, and the amount includes annual performance bonus accrued for the relevant period.*

During March 2007 the Remuneration Committee agreed a remuneration policy for all directors of the Group. The amount by which directors' emoluments paid 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 in the financial statements as it is not expected to recur in future periods. 2007 emoluments shown in the above table include £23,950,000 (2006: £17,400,000) of exceptional emoluments.

Directors' share options

Aggregate emoluments disclosed above do not include any amounts for the value of options to acquire ordinary shares in the Company granted to or held by the directors. During the year, the following current and former executive directors acquired Ordinary Shares in the Company from the EBT pursuant to Share Options under the Option Scheme (Unapproved), and the SAYE scheme on the following terms:

Name of director	Number of ordinary shares aquired	Exercise Price	Date of acquisition	Market price at exercise date	Gains on exercise 2007 £	Gains on exercise 2006 £
Martin Mulligan	36,300	£0.04	29 June 2007	£2.10	74,729	-
	98,175	£0.04	26 May 2006	£0.24	-	19,528
Theresa Barry	98,175	£0.04	6 June 2007	£2.06	198,671	-
	265,375	£0.04	26 May 2006	£0.24	-	52,786
	825,000	£0.04	9 December 2005	£0.09	-	42,060
Andrew Christian	2,750,000	£0.55	28 September 2006	£0.55	-	-
	36,300	£0.04	6 June 2007	£2.06	73,458	-
	100,100	£0.04	26 May 2006	£0.24	-	19,911
Adam Norris	1,650,000	£0.55	29 March 2007	£0.55	-	-
	412,500	£0.55	28 June 2007	£2.09	637,125	-
	98,175	£0.04	29 June 2007	£2.10	202,107	-
	265,375	£0.04	26 May 2006	£0.24	-	52,786
Tracey Taylor	605,000	£0.64	29 March 2007	£0.55	-	-
	229,350	£0.04	29 June 2007	£2.10	472,148	-
Nigel Bence	43,450	£0.04	29 June 2007	£2.10	89,448	-
	120,450	£0.04	26 May 2006	£0.24	-	23,959
	825,000	£0.04	2 August 2006	£0.09	-	42,060
					1,747,686	**253,090**

Note: in the above table, the market price at exercise date shown for shares acquired prior to 15 May 2007 represents the approved price agreed by HMRC at a date closest to the acquisition date. All share prices and volumes have been adjusted for the effects of the share reorganisation as described in note 22 to the financial statements.

The interests of the directors who served during the year in options to acquire shares in Hargreaves Lansdown plc are as follows:

Name of Director	Type of scheme	At 1 July 2006	Granted	Exercised	At 30 June 2007	Exercise Price	Expiration Date	Date from which exercisable
Current Executive Directors								
Martin Mulligan	Option Scheme	1,375,000	-	-	1,375,000	£0.55	Feb 2016	Feb 2006
	Option Scheme	-	275,000	-	275,000	£0.64	Jul 2016	Jul 2006
	SAYE	36,300	-	36,300	-	£0.04	Jan 2008	Jun 2007
	SAYE	17,325	-	-	17,325	£0.04	Mar 2009	Sept 2008
	SAYE	-	26,400	-	26,400	£0.55	Nov 2012	May 2012
Former Executive Directors								
Theresa Barry	SAYE	98,175	-	98,175	-	£0.04	Jan 2008	Jun 2007
Nigel Bence	Option Scheme	-	550,000	-	550,000	£0.64	Jul 2016	Jul 2006
	SAYE	43,450	-	43,450	-	£0.04	Jan 2008	Jun 2007
	SAYE	20,900	-	-	20,900	£0.04	Mar 2009	Sept 2008
	SAYE	-	28,325	-	28,325	£0.55	Nov 2012	May 2012
Andrew Christian	Option Scheme	2,750,000	-	2,750,000	-	£0.55	Feb 2016	Feb 2006
	SAYE **	36,300	-	36,300	-	£0.04	Jan 2008	Jun 2007
	SAYE **	17,325	-	-	17,325	£0.04	Mar 2009	Sept 2008
	SAYE	-	28,600	-	28,600	£0.55	Nov 2012	May 2012
Adam Norris	Option Scheme	2,062,500	-	2,062,500	-	£0.55	Feb 2016	Feb 2006
	Option Scheme	687,500	-	687,500 (*)	-	£0.55	Feb 2016	Feb 2006
	SAYE **	98,175	-	98,175	-	£0.04	Jan 2008	Jun 2007
	SAYE	45,375	-	-	45,375	£0.04	Mar 2009	Sept 2008
	SAYE	-	26,675	-	26,675	£0.55	Nov 2012	May 2012
Tracey Taylor	Option Scheme	-	825,000	605,000	220,000	£0.64	Jul 2016	Jul 2006
	SAYE **	229,350	-	229,350	-	£0.04	Jan 2008	Jun 2007
	SAYE **	108,350	-	-	108,350	£0.04	Mar 2009	Sept 2008
	SAYE	-	22,550	-	22,550	£0.55	Nov 2012	May 2012

* *Adam Norris waived 687,500 share options during the year.*
** *Denotes options that were granted before the individual was appointed as a director of the Company.*

The market price of the ordinary 0.4 pence shares at 30 June 2007 was £2.11 and the range during the period since 15 May 2007, being the date when the shares were first traded on the London Stock Exchange, to 30 June 2007 was £2.00 to £2.18.

All of the current and former executive directors, with the exception of Peter Hargreaves and Stephen Lansdown, were each awarded 12,650 Ordinary Shares on 8 November 2006 under the terms of the HMRC approved Share Incentive Plan (SIP). At the award date the HMRC approved market value was £0.24 per share. These shares are subject to a three year retention period and are held by the trustee of the SIP, Hargreaves Lansdown Trustee Company Limited. The figures shown above are exclusive of such awards. Options granted under the share option and share incentive schemes are not subject to performance criteria.

Approval

This report was approved by the Board of directors on 17 October 2007 and signed on its behalf by:

Stephen Lansdown
Member of the Remuneration Committee
17 October 2007

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements. The directors are required to prepare financial statements for the Group in accordance with International Financial Reporting Standards (IFRS) and have also elected to prepare financial statements for the Company in accordance with IFRS. Company law requires the directors to prepare such financial statements in accordance with IFRS, the Companies Act 1985 and Article 4 of the IAS Regulation.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the financial position, financial performance and cash flows of the Group and the Company. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and Presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards. Directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and of the Group, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a directors' report and directors' remuneration report which comply with the requirements of the Companies Act 1985.

Independent auditors' report to the members of Hargreaves Lansdown Plc

We have audited the Group and Parent Company financial statements (the ''financial statements'') of Hargreaves Lansdown plc for the year ended 30 June 2007 which comprise the Group Income Statement, the Group and Parent Company Statements of Recognised Income and Expense, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, and the related notes 1 to 35. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Operating and Financial Review that is cross referred from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2003 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 30 June 2007 and of its profit for the year then ended;
- the Parent Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the Parent Company's affairs as at 30 June 2007;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the financial statements.

Separate opinion in relation to IFRS

As explained in Note 1 to the Group financial statements, the Group in addition to complying with its legal obligation to comply with IFRSs as adopted by the European Union, has also complied with the IFRSs as issued by the International Accounting Standards Board.

In our opinion the Group financial statements give a true and fair view, in accordance with IFRSs, of the state of the Group's affairs as at 30 June 2007 and of its profit for the year then ended.

Deloitte & Touche LLP

Deloitte & Touche LLP, Chartered Accountants and Registered Auditors, Bristol, United Kingdom
17 October 2007

Consolidated Income Statement

	Note	Year ended 30 June 2007 £'000	Year ended 30 June 2006 £'000
Revenue	4	**98,769**	73,460
Total operating income		**98,769**	73,460
Administrative expenses	6	**(58,098)**	(49,190)
Exceptional administrative expenses	6	**(29,628)**	(19,627)
Total administrative expenses		**(87,726)**	(68,817)
Operating profit		**11,043**	4,643
Analysed as:			
Operating profit before exceptional administrative expenses		**40,671**	24,270
Exceptional administrative expenses	6	**(29,628)**	(19,627)
Operating profit		**11,043**	4,643
Investment revenue	8	**1,430**	2,919
Other gains and losses	9	**11,917**	35
Profit before tax		**24,390**	7,597
Tax	10	**(7,435)**	(1,584)
Profit for the year	6	**16,955**	6,013
Dividend per share (pence)	11		
Interim dividend		**3.00**	0.36
Special interim dividend		-	1.09
Final dividend		-	0.36
Total dividend per share		**3.00**	1.81
Earnings per share			
Basic earnings per share * (pence)	12	**3.6**	1.4
Diluted earnings per share * (pence)	12	**3.6**	1.3

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

** The directors consider that the underlying earnings per share figures as shown in note 12 represents a more consistent measure of underlying performance as this measure excludes the impact of exceptional items.*

Consolidated Statement of Recognised Income and Expense

	Group		Company	
	Year ended 30 June 2007 £'000	Year ended 30 June 2006 £'000	Year ended 30 June 2007 £'000	Year ended 30 June 2006 £'000
Profit for the financial year	**16,955**	6,013	**3,100**	18,885
Increase in fair value of available-for-sale investments, net of tax	**1,202**	2,886	**68**	79
Gain on disposal of available for sale investments transferred to income statement, net of tax	**(8,351)**	-	**(1,461)**	-
Gain/(loss) on sale of shares by employee benefit trust, net of tax	**12,093**	(63)	-	-
Net income recognised directly in equity	**4,944**	2,823	**(1,393)**	79
Total recognised income and expense for the financial year	**21,899**	8,836	**1,707**	18,964

Consolidated and Company Balance Sheets

		Group		Company	
	Note	At 30 June 2007 £'000	At 30 June 2006 £'000	At 30 June 2007 £'000	At 30 June 2006 £'000
Non-current assets					
Goodwill	13	**1,333**	1,333	-	-
Other intangible assets	14	**81**	97	-	-
Property, plant and equipment	15	**2,249**	1,719	**338**	511
Investments	17	-	-	**2,152**	2,152
Deferred tax assets	19	**4,978**	820	**440**	30
		8,641	3,969	**2,930**	2,693
Current assets					
Trade and other receivables	18	**51,533**	48,075	**3,466**	16,086
Cash and cash equivalents	18	**48,092**	13,745	**103**	-
Investments	17	**1,169**	13,352	**478**	4,649
		100,794	75,172	**4,047**	20,735
Total assets		**109,435**	79,141	**6,977**	23,428
Current liabilities					
Trade and other payables	20	**63,976**	57,610	**2,882**	1,028
Cash and cash equivalents	18	-	-	-	6,300
Current tax liabilities		**154**	-	-	-
		64,130	57,610	**2,882**	7,328
Net current assets		**36,664**	17,562	**1,165**	13,407
Non-current liabilities					
Deferred tax liabilities	19	-	2,882	-	414
Trade and other payables	20	**281**	665	-	-
Provisions	21	**529**	515	-	-
		810	4,062	-	414
Total liabilities		**64,940**	61,672	**2,882**	7,742
Net assets		**44,495**	17,469	**4,095**	15,686
Equity					
Share capital	22	**1,897**	172	**1,897**	172
Share premium account	23	**8**	1,733	**8**	1,733
Investment revaluation reserve	24	-	7,149	-	1,393
Capital redemption reserve	25	**12**	12	**12**	12
Shares held by Employee Benefit Trust reserve	26	**(7,552)**	(19,809)	-	-
EBT reserve	27	**12,030**	(63)	-	-
Share option reserve	28	**7,082**	914	-	-
Retained earnings	29	**31,018**	27,361	**2,178**	12,376
Total equity, attributable to equity shareholders of the parent		**44,495**	17,469	**4,095**	15,686

The financial statements were approved by the Board of directors on 17 October 2007 and signed on its behalf by:

Stephen Lansdown, Chairman
17 October 2007

Martin Mulligan, Group Finance Director
17 October 2007

Statement of Cash Flows

		Group		Company	
	Note	Year ended 30 June 2007 £'000	Year ended 30 June 2006 £'000	Year ended 30 June 2007 £'000	Year ended 30 June 2006 £'000
Net cash from operating activities, after tax	30	**7,741**	6,776	**7,248**	(32,884)
Investing activities					
Interest received		**1,228**	993	**60**	5
Dividends received from investments		**202**	1,926	**7,575**	34,349
Proceeds on disposal of available-for-sale investments		**14,281**	-	**4,820**	85
Purchases of property, plant and equipment		**(1,437)**	(830)	**(2)**	-
Purchase of intangible fixed assets		**(53)**	(17)	-	-
Acquisition of investments		**(212)**	(69)	-	(1)
Proceeds on sale of investment in associated undertaking		-	85	-	-
Purchases of own shares		-	(19,667)	-	-
Proceeds on sale of own shares		**25,645**	264	-	-
Net cash from / (used in) investing activities		**39,654**	(17,315)	**12,453**	34,438
Financing activities					
Receipts from repayment of loan		**250**	-	-	-
Dividends paid		**(13,298)**	(7,863)	**(13,298)**	(7,863)
Net cash from / (used in) financing activities		**(13,048)**	(7,863)	**(13,298)**	(7,863)
Net increase / (decrease) in cash and cash equivalents		**34,347**	(18,402)	**6,403**	(6,309)
Cash and cash equivalents at beginning of year		**13,745**	32,147	**(6,300)**	9
Cash and cash equivalents at end of year		**48,092**	13,745	**103**	(6,300)

1. General information

Hargreaves Lansdown plc (the "Company") is a company incorporated in the United Kingdom under the Companies Act 1985 whose shares are publicly traded on the London Stock Exchange. The address of the registered office is Kendal House, 4 Brighton Mews, Clifton, Bristol, BS8 2NX, United Kingdom. The nature of the Group's operations and its principal activities are set out in the Operating and Financial Review.

On 18 May 2007 the Company was admitted to the Official List of the Financial Services Authority and to unconditional trading on the London Stock Exchange plc's main market for listed securities.

These financial statements are presented in pounds sterling which is the currency of the primary economic environment in which the Group operates.

Basis of preparation

The consolidated financial statements of Hargreaves Lansdown plc have, for the first time, been prepared in accordance with International Financial Reporting Standards adopted by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB (together "IFRS") as endorsed by the European Union. The Company's financial statements have been prepared on the same basis and as permitted by Section 230(3) of the Companies Act 1985, no income statement is presented for the Company. The Company's profit after tax for the year was £3,100,000 (2006: £18,885,000).

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

Effective for the Group for the financial year beginning 1 July 2007:
Amendment to IAS 1 'Presentation of Financial Statements – Capital Disclosures'
IFRS 7 'Financial Instruments: Disclosure'
IFRIC 8 'Scope of IFRS 2'
IFRIC 9 'Re-assessment of embedded derivatives'
IFRIC 11 'IFRS 2 – Group and Treasury Share Transactions'

Effective for the Group for future financial years:
Amendment to IAS 23 'Borrowing Costs'
IFRS 8 'Operating Segments'
IFRIC 12 'Service Concession Arrangements'

The Group has considered the above new standards, interpretations and amendments to published standards that are not yet effective and concluded that they are either not relevant to the Group or that they would not have a significant impact on the Group's financial statements, apart from additional disclosures. The implementation of IFRIC 11 affects the accounting treatment of arrangements where a parent company grants rights to its equity instruments to employees in a subsidiary company and does not effect the overall position of the Group but will require that the transaction is treated as a capital contribution by the parent company. It is effective for accounting periods commencing on or after 1 March 2007.

The financial statements of the Group and of Hargreaves Lansdown plc (the "Company") have been prepared in accordance with International Financial Reporting Standards (IFRSs) for the first time. The transitional disclosures required by IFRS 1 concerning the transition from UK Generally Accepted Accounting Principles ("UK GAAP") to IFRSs are set out in note 35. The date of transition to IFRS for the Group and the Company was 1 July 2005.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments. The principal accounting policies adopted are set out below.

2. Significant accounting policies

Accounting policies as shown below have been consistently applied throughout the years.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 30 June 2007. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. 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 statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

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.

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 Employee Benefit Trust ("EBT") are credited directly to the EBT reserve and are treated as undistributable profits.

Non-current assets held for sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill arising on acquisitions before the date of transition to IFRSs 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 1998 has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

Goodwill arising on acquisitions before 1 July 2005 has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date. Goodwill written off to reserves under UK GAAP prior to 30 June 1997 has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts, VAT and other sales-related taxes. Fund based commissions are recognised on an accruals basis calculated according to the level of assets under the administration, or agency, of the Group. Initial commissions are deemed to be earned at the policy inception date, except in the case of the Group's stockbroking and unit trust management subsidiary undertakings where all income earned on securities transactions entered into on behalf of clients are recorded in the accounts on the date of the transaction.

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

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 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 prior to 30 June 2007 also operated 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.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date 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 year when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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 to all grants of equity instruments after 7 November 2002 that were unvested at 1 July 2005.

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions. Fair value is measured by use of the Black Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. Prior to 15 May 2007 the Company's shares were not listed on a stock exchange and therefore in the absence of a readily available market price for the shares, the share price was based on the market value agreed with H M Revenue and Customs and share price volatility was estimated as the average of the volatility applying to a comparable group of listed companies. No share options have yet been granted since 15 May 2007.

A liability equal to the portion of the goods or services received is recognised at the current fair value determined at each balance sheet date for cash-settled, share-based payments.

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

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 as debtors.

Investments

Investments are recognised and derecognised on a trade date where a purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at cost, including transaction costs.

The Group's available-for-sale investments have been included at fair value where a fair value can be reliably calculated, with the revaluation gains and losses reflected in the investment revaluation reserve, as shown in note 24, until sale when the cumulative gain or loss is transferred to the income statement. If a fair value cannot be reliably calculated by reference to a quoted market price or other method of valuation, available-for-sale investments are included at cost, with a fair value adjustment recognised upon disposal of the investment.

Investments which are designated as being held at fair value through profit or loss are carried at fair value, being the quoted market price of the listed investment, with any gain or loss reported within the income statement. An investment is classified in this category if it is held principally for the purpose of selling in the short term.

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. In accordance with market practice, certain balances with clients, Stock Exchange member firms and other counterparties are included as creditors.

3. Key sources of judgements and estimation uncertainty

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities. If in the future such estimates and assumptions, which are based on management's best judgement at the date of preparation of the financial statements, deviate from actual circumstances, the original estimates and assumptions will be modified as appropriate in the period in which the circumstances change. The areas where a higher degree of judgement or complexity arise, or areas where assumptions and estimates are significant to the consolidated financial statements, are discussed below.

Share based payments

Prior to 15 May 2007 the Company's shares were not listed on a stock exchange and therefore no readily available market price existed for the shares. The share price of share option awards granted prior to 15 May 2007 were based on the latest market value agreed with H.M. Revenue and Customs using an earnings multiples approach based on comparable quoted companies. Share price volatility was estimated as the average of the volatility experienced by a comparable group of quoted companies. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. 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. Since 15 May 2007, a quoted market price has been available for the Company's shares although no share options have been granted since that date.

Indemnity provision

The indemnity provision represents management's best estimate of the Group's liability to policy lapses resulting in indemnity commission claw-backs. The calculation is based on the volume of indemnified commission and on past experience of policy cancellation.

Staff costs

Included in staff costs is an estimate of the future liability for bonuses and other employee incentive schemes which have been earned but not paid.

4. Revenue

Revenue represents commission receivable from financial services provided to clients, interest on settlement accounts and management fees charged to clients. It relates to services provided in the UK and is stated net of value added tax. An analysis of the Group's revenue is as follows:

Revenue from services:	Year ended 30 June 2007 £'000	Year ended 30 June 2006 £'000
Fees and commission income	87,509	66,132
Interest and similar income	8,832	5,063
Subscriptions and sundry charges	2,428	2,265
Total operating income	98,769	73,460

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 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 year

Profit for the year has been arrived at after charging:	Year ended 30 June 2007 £'000	Year ended 30 June 2006 £'000
Depreciation of owned plant and equipment	891	615
Depreciation of other intangible assets	89	59
Impairment of goodwill	-	13
Operating lease rentals payable - property	673	585
Staff costs (see note 7)	61,523	47,667

Exceptional items

Exceptional administrative expenses comprise:	Year ended 30 June 2007 £'000	Year ended 30 June 2006 £'000
Additional directors' remuneration	27,016	19,627
Flotation costs	2,612	-

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.

Additional directors' remuneration

On 5 April 2007, bonuses totalling £23.95 million (total cost £27,016,000 including national insurance) were awarded to certain executive directors of the Company and its subsidiaries.

6. Profit for the year (continued)

Flotation costs

Costs relating to the Company's Admission to the London Stock Exchange comprise legal and professional fees of £2,612,000.

Auditors' remuneration

The analysis of auditors' remuneration is as follows:	Year ended 30 June 2007 £'000	Year ended 30 June 2006 £'000
Audit fees: fees payable for the audit of the Company's annual accounts	6	6
Audit fees: fees payable for the audit of the Company's subsidiaries pursuant to legislation	59	58

Fees payable to the Company's auditors and their associates for other services to the Group:		
Tax advisory services	50	2
Corporate finance services	408	-
Other advisory services related to flotation, including interim non statutory audit	51	-
Total non-audit fees	509	2

7. Staff costs

The average number of employees of the Group (including executive directors) was:	Year ended 30 June 2007 No.	Year ended 30 June 2006 No.
Operating and support functions	456	381
Administrative functions	165	132
	621	513

Their aggregate remuneration comprised:	Year ended 30 June 2007 £'000	Year ended 30 June 2006 £'000
Wages and salaries	54,331	41,787
Social security costs	6,466	4,877
Share based payments expense	508	661
Other pension costs	218	342
	61,523	47,667

The Group aims to attract, motivate and retain high calibre employees by rewarding them with competitive salary and benefit packages, which may be linked to the creation of long-term shareholder value. Salary ranges are established by reference to those prevailing in the employment market generally for employees of comparable status, responsibility and skills. All employees are eligible to be considered for an annual discretionary bonus. In addition to cash bonuses, the Group operates various share based remuneration schemes as described in note 32.

8. Investment revenue

	Year ended 30 June 2007 £'000	Year ended 30 June 2006 £'000
Interest on bank deposits	1,228	993
Dividends from equity investment	202	1,926
	1,430	2,919

9. Other gains and losses

	Year ended 30 June 2007 £'000	Year ended 30 June 2006 £'000
Profit on disposal of associated undertaking	-	35
Gain on disposal of investments	11,917	-
	11,917	35

10. Tax

	Year ended 30 June 2007 £'000	Year ended 30 June 2006 £'000
Current tax	8,241	2,385
Deferred tax (note 19)	(806)	(801)
	7,435	1,584

Corporation tax is calculated at 30% of the estimated assessable profit for the years.

In addition to the amount charged to the income statement, certain tax amounts have been charged directly to equity as follows:

	£'000	£'000
Deferred tax relating to share based payments (note 28)	(3,352)	(44)
Deferred tax on revaluation of the Group's available for sale investments (note 24)	684	1,218
Current tax relief on exercise of share options (note 28)	(2,308)	-
Current tax on gain on disposal of shares held by EBT (note 27)	1,293	-
	(3,683)	1,174

Factors affecting tax charge for the year

It is expected that the ongoing effective tax rate will trend to a rate approximating to the standard UK corporation tax rate (currently 30%, 28% from 1 April 2008) in the medium term. During the year ended 30 June 2007 the effective tax rate has been just above 30% primarily due to the disallowable flotation costs. A deferred tax asset in respect of future share option deductions has been recognised based on the Company's share price as at 30 June 2007.

10. Tax (continued)

Factors affecting future tax charge

A number of changes to the UK tax system were announced in the March 2007 Budget Statement and are expected to be enacted in the 2007 and 2008 Finance Acts. The changes relating to the reduction in corporation tax rates from 30% to 28%, have been substantively enacted at the balance sheet date and, therefore, are included in these financial statements.

Any increase or decrease to the Company's share price will impact the amount of tax deduction available in future years on the value of shares acquired by staff under share incentive schemes.

The charge for the year can be reconciled to the profit per the income statement as follows:

	Year ended 30 June 2007 £'000	Year ended 30 June 2006 £'000
Profit before tax from continuing operations	24,390	7,597
Tax	7,317	2,279
- at the UK corporation tax rate of	30%	30%
Disallowed/(non-taxable) items	(672)	(206)
Disallowed flotation costs	784	-
Effect of adjustments relating to prior years	110	74
Utilisation of small company rate and rate applicable to trusts	2	(10)
Surplus trading losses of subsidiary	-	26
Impact of change in tax rate	(61)	-
Dividend income not subject to tax	(45)	(579)
Tax expense for the year	7,435	1,584
Effective tax rate	30%	21%

11. Dividends

Amounts recognised as distributions to equity holders in the period:

	Year ended 30 June 2007 £'000	Year ended 30 June 2006 £'000
First interim dividend of 3.0p (2006: 0.36p) per share	13,298	1,560
Special interim dividend of 1.09p per share	-	4,727
Final dividend per share of £nil (2006: 0.36p)	-	1,576
	13,298	7,863

Dividend per share figures are restated to reflect the share restructuring on 10 April 2007 as described in note 32.

On 26 April 2007 an interim dividend of 3.0 pence per share was proposed and was paid on 21 May 2007 to shareholders on the register as at 1 May 2007. No final dividend is proposed in respect of the year ended 30 June 2007, as advised by the directors prior to flotation.

Under an arrangement dated 30 June 1997 the Hargreaves Lansdown Employee Benefit Trust, which held the following number of ordinary shares in Hargreaves Lansdown plc at the date shown, has agreed to waive all dividends.

11. Dividends (continued)

	Year ended 30 June 2007	Year ended 30 June 2006
Number of shares held by the Hargreaves Lansdown Employee Benefit Trust	14,038,685	40,986,825
Representing % of called-up share capital	2.96%	8.64%

12. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period, including ordinary shares held in the EBT reserve which have not vested unconditionally with employees.

Diluted earnings per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

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

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 22.

Earnings (all from continuing operations)	Year ended 30 June 2007 £'000	Year ended 30 June 2006 £'000
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity holders of the parent	16,955	6,013
Exceptional administrative expenses	29,628	19,627
Other gains and losses	(11,917)	(35)
Tax on exceptional administrative expenses and other gains and losses	(4,539)	(5,888)
Earnings for the purposes of underlying basic and underlying diluted earnings per share	30,127	19,717

Number of shares

	Number	Number
Weighted average number of ordinary shares for the purposes of diluted earnings per share, being total issued share capital	474,318,325	474,318,325
Shares held by HL EBT which have not vested unconditionally with employees	9,721,460	34,111,825
Weighted average number of ordinary shares for the purposes of basic earnings per share	464,596,865	440,206,500

	Pence	Pence
Underlying basic earnings per share	6.5	4.5
Underlying diluted earnings per share	6.4	4.2

13. Goodwill - Group

Cost	Year ended 30 June 2007 £'000	Year ended 30 June 2006 £'000
At beginning of year	1,450	1,437
Recognised on acquisition of a subsidiary	-	13
At end of year	1,450	1,450
Accumulated impairment losses		
At beginning of year	117	104
Impairment losses for the year	-	13
At end of year	117	117
Carrying amount		
At end of year	1,333	1,333

The net carrying value of goodwill relates entirely to the acquisition of Hargreaves Lansdown Pensions Direct Limited. The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. The recoverable amount of goodwill is determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates and growth rates during the period. The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management extrapolated based on an estimated long term industry growth rate of 3%. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to this subsidiary. The pre-tax rate used to discount the forecast cash flows is 9.8%.

14. Other intangible assets - Group

Computer Software

	£'000
Cost	
At 1 July 2005	1,301
Additions	16
At 1 July 2006	1,317
Additions	53
At 30 June 2007	1,370
Amortisation	
At 1 July 2005	1,161
Charge	59
At 1 July 2006	1,220
Charge	69
At 30 June 2007	1,289
Carrying amount	
At 1 July 2006	97
At 30 June 2007	81

15. Property, plant and equipment – Group

	Motor Vehicles £'000	Fixtures, fittings, plant and equipment £'000	Total £'000
Cost or valuation			
At 1 July 2005	51	2,949	3,000
Additions	-	830	830
At 1 July 2006	51	3,779	3,830
Additions	-	1,431	1,431
Disposals	(27)	-	(27)
At 30 June 2007	24	5,210	5,234
Accumulated depreciation and impairment			
At 1 July 2005	12	1,484	1,496
Charge	8	607	615
At 1 July 2006	20	2,091	2,111
Charge	8	883	891
Disposals	(17)	-	(17)
At 30 June 2007	11	2,974	2,985
Carrying amount			
At 1 July 2006	31	1,688	1,719
At 30 June 2007	13	2,236	2,249

15. Property, plant and equipment – Company

	Fixtures, fittings, plant and equipment £'000
Cost or valuation	
At 1 July 2005	1,380
Additions	-
At 1 July 2006	1,380
Additions	2
At 30 June 2007	1,382

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

	Fixtures, fittings, plant and equipment £'000
Accumulated depreciation and impairment	
At 1 July 2005	687
Charge	182
At 1 July 2006	869
Charge	175
At 30 June 2007	1,044
Carrying amount	
At 1 July 2006	511
At 30 June 2007	338

16. Subsidiaries

A list of the significant investments in subsidiaries, all of which are incorporated in the UK, is shown below.

Name of company	Shares held	Nature of business
Hargreaves Lansdown Asset Management Ltd	100%	Unit trust and equity broking, investment fund management, life and pensions
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

The Group also owns 100% of Broker Focus Ltd, a software development company which has not traded during 2007 and there are no plans for the company to trade. Broker Focus Ltd is incorporated in Dublin.

17. Investments - Group

	Year ended 30 June 2007 £'000	Year ended 30 June 2006 £'000
At beginning of year	13,352	9,243
Revaluation surplus transfer to equity (note 24)	1,886	4,104
Net increase in the value of short term investments	212	68
Elimination of subsidiary on consolidation	-	(13)
Disposals	(14,281)	(50)
At end of year	1,169	13,352
Current asset investments	1,169	13,352

17. Investments - Group (continued)

Current asset investments include the following:	At 30 June 2007 £'000	At 30 June 2006 £'000
UK listed securities valued at quoted market price	428	11,248
Unlisted securities valued at cost	741	2,104
	1,169	13,352

£428,000 (2006: £215,000) of investments are classified as held at fair value through profit and loss and £741,000 (2006: £13,137,000) are classified as available-for-sale. Available-for-sale investments have been included at fair value where a fair value can be reliably calculated, with the revaluation gains and losses reflected in the investment revaluation reserve as shown in note 24, until sale when the cumulative gain or loss is transferred to the income statement. If a fair value cannot be reliably calculated by reference to a quoted market price or other method of valuation, available-for-sale investments are included at cost, with a fair value adjustment recognised upon disposal of the investment.

17. Investments - Company

	Year ended 30 June 2007 £'000	Year ended 30 June 2006 £'000
At beginning of period	6,801	6,758
Revaluation surplus transfer to equity (note 24)	85	93
Disposals	(4,256)	(50)
At end of year	2,630	6,801
Non - current asset investments	2,152	2,152
Current asset investments	478	4,649
	2,630	6,801

Investments include the following:	At 30 June 2007 £'000	At 30 June 2006 £'000
UK listed securities valued at quoted market price	-	2,807
Unlisted securities valued at cost	478	1,842
Non current assets - investments in subsidiaries valued at cost less impairment	2,152	2,152
	2,630	6,801

£478,000 (2006: £4,649,000) of investments are classified as available-for-sale. Available-for-sale investments have been included at fair value where a fair value can be reliably calculated, with the revaluation gains and losses reflected in the investment revaluation reserve as shown in note 24, until sale when the cumulative gain or loss is transferred to the income statement. If a fair value cannot be reliably calculated by reference to a quoted market price or other method of valuation, available-for-sale investments are included at cost, with a fair value adjustment recognised upon disposal of the investment.

18. Other financial assets

Trade and other receivables

	Group		Company	
	At 30 June 2006 £'000	At 30 June 2007 £'000	At 30 June 2007 £'000	At 30 June 2006 £'000
Amounts receivable from subsidiaries and EBT	-	-	488	14,014
Trade receivables	45,153	39,693	-	-
Other receivables	368	792	-	-
Corporation tax debtor	-	1,914	2,725	1,752
Prepayments	6,012	5,676	253	320
	51,533	48,075	3,466	16,086

Trade receivables are measured at initial recognition at fair value. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. In accordance with market practice, certain balances with clients, Stock Exchange member firms and other counterparties are included in debtors. Trade receivables include £36.3 million (2006: £33.7 million) of counterparty balances.

Cash and cash equivalents	At 30 June 2007 £'000	At 30 June 2006 £'000	At 30 June 2007 £'000	At 30 June 2006 £'000
Cash and cash equivalents	48,092	13,745	103	(6,300)
Comprising:				
Restricted cash - client settlement account balances	15,163	4,393	-	-
Restricted cash - balances held by EBT	12,370	157	-	-
Group cash and cash equivalent balances	20,559	9,195	103	(6,300)

Cash and cash equivalents comprise cash held by the Group and institutional cash funds with near-instant access. 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 years presented. The Group's principal financial assets are bank balances and cash, trade and other receivables and investments.

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 also made for varying periods of between one day and six months depending on the immediate cash requirements of the Group and earn interest at the respective fixed term deposit rates.

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.

18. Financial risk management (continued)

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 which do not have a quoted market price in an active market or whose fair value cannot be reliably measured are measured at cost.

Credit risk

The Group has no significant concentration of credit risk as credit exposure is spread over a large number of counterparties and customers. Within the Group's Stockbroking operation, credit risk is minimised by collateral held in Group nominee companies. 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 Group's credit risk is primarily attributable to its trade receivables and generally represents balances due from other financial institutions. The credit risk is therefore considered to be limited. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

Cash is mainly held at Lloyds TSB Bank, Royal Bank of Scotland and the Bank of Scotland in the UK. 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 carries out at least an annual review of all its banks' and custodians' credit ratings.

Stockbroking operations

The Group acts as a private client investment manager, unit trust manager and agency stockbroker and undertakes only minimal trading on its own behalf. Therefore the Group does not hold derivatives or other financial instruments other than cash and securities.

The Group deals in foreign currencies on a matched basis on behalf of clients, limiting foreign exchange exposure.

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 years, hence the deferred tax provision is reported separately as shown below:

	Group		Company	
	At 30 June 2007 £'000	At 30 June 2006 £'000	At 30 June 2007 £'000	At 30 June 2006 £'000
Deferred tax liabilities	-	(2,882)	-	(414)
Deferred tax assets	4,978	820	440	30
Net deferred tax asset/(liability)	4,978	(2,062)	440	(384)

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

19. Deferred tax (continued)

Group	Accelerated tax depreciation £'000	Revaluation of available for sale investments £'000	Share based payments £'000	Other deductible temporary differences £'000	Total £'000
At 1 July 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
At 1 July 2006	(159)	2,882	(439)	(222)	2,062
Recycled from equity to income	-	(3,566)	-	-	(3,566)
Charge/(credit) to income	(351)	-	(330)	(125)	(806)
Charge/(credit) to equity	-	684	(3,352)	-	(2,668)
At 30 June 2007	(510)	-	(4,121)	(347)	(4,978)

Company	£'000	£'000	£'000	£'000	£'000
At 1 July 2005	(86)	399	-	-	313
Charge/(credit) to income	56	-	-	-	56
Charge/(credit) to equity	-	15	-	-	15
At 1 July 2006	(30)	414	-	-	384
Recycled from equity to income	-	(431)	-	-	(431)
Charge/(credit) to income	(410)	-	-	-	(410)
Charge/(credit) to equity	-	17	-	-	17
At 30 June 2007	(440)	-	-	-	(440)

20. Other financial liabilities

Trade and other payables

	Group		Company	
	Year ended 30 June 2007 £'000	Year ended 30 June 2006 £'000	Year ended 30 June 2007 £'000	Year ended 30 June 2006 £'000
Current payables				
Amounts payable to subsidiaries	-	-	1,765	1,021
Trade payables	51,423	37,321	-	-
Social security and other taxes	3,408	3,632	81	-
Other payables	7,718	14,431	632	7
Accruals and deferred income	1,427	2,226	404	-
	63,976	57,610	2,882	1,028
Non-current payables - Other payables	281	665	-	-

In accordance with market practice, certain balances with clients, Stock Exchange member firms and other counterparties are included in creditors. Trade payables include £50.4 million (2006: £36.2 million) of counterparty balances. Accruals and other payables principally comprise amounts outstanding for trade purchases and ongoing costs.

21. Provisions - Group

Included within non-current liabilities:

	Commission on indemnity terms £'000
At 1 July 2005	288
Charged/(utilised) during year	227
At 1 July 2006	515
Charged/(utilised) during year	14
At 30 June 2007	529

The indemnity provision represents management's best estimate of the Group's liability to repay commission received on indemnity terms. The provision is based on past experience and the volume of indemnified commission, and is expected to be utilised over indemnity periods of up to 4 years.

22. Share capital

	At 30 June 2007 £'000	At 30 June 2006 £'000
Authorised:		
525,000,000 ordinary shares of 0.4p each (2006: 2,500,000 ordinary shares of 10p each)	2,100	250
Issued and fully paid:		
Ordinary shares of 0.4p (2006: 10p) each	1,897	172

	Shares	Shares
Issued and fully paid:		
Number of ordinary shares of 0.4p (2006: 10p) each	474,318,625	1,724,795

The Company has one class of ordinary shares which carry no right to fixed income.

On 10 April 2007 new articles of association of the Company were adopted replacing the articles adopted on 30 January 2007. On the same date 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.

On 10 April 2007 a capitalisation issue of 10 shares for every 1 share took place following a sub-division of the ordinary shares of 10 pence each into 25 ordinary shares of 0.4 pence each. £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 the new ordinary shares of 0.4 pence each allotted at par. 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.

23. Share premium account – Company and Group

	Year ended 30 June 2007 £'000	Year ended 30 June 2006 £'000
Balance at beginning of year	1,733	1,733
Utilisation of share premium account (note 22)	(1,725)	-
Balance at end of year	8	1,733

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

24. Investment revaluation reserve

	Group		Company	
	At 30 June 2007 £'000	At 30 June 2006 £'000	At 30 June 2007 £'000	At 30 June 2006 £'000
Balance at beginning of year	7,149	4,263	1,393	1,315
Increase in fair value of available-for-sale investments	1,886	4,104	85	93
Deferred tax effect of increase in fair value of available-for-sale investments	(684)	(1,218)	(17)	(15)
Disposal of available-for-sale investments	(11,917)	-	(1,892)	-
Tax on disposal of available-for-sale investments	3,566	-	431	-
Balance at end of year	-	7,149	-	1,393

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 – Company and Group

	Year ended 30 June 2007 £'000	Year ended 30 June 2006 £'000
Balance at beginning and at end of year	12	12

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

26. Shares held by Employee Benefit Trust reserve - Group

	Year ended 30 June 2007 £'000	Year ended 30 June 2006 £'000
Balance at beginning of year	(19,809)	(469)
Shares acquired in the year	-	(19,667)
Shares sold	12,257	327
Balance at end of year	(7,552)	(19,809)

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 - Group

	Year ended 30 June 2007 £'000	Year ended 30 June 2006 £'000
Balance at beginning of year	(63)	-
Gain/(loss) on sale of shares by EBT	13,386	(63)
Tax on sale of shares by EBT	(1,293)	-
Balance at end of year	12,030	(63)

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

28. Share option reserve - Group

	Year ended 30 June 2007 £'000	Year ended 30 June 2006 £'000
Balance at beginning of year	914	209
Share based payments expense	508	661
Deferred tax effect of share based payments	3,352	44
Tax relief on exercise of share options	2,308	-
Balance at end of year	7,082	914

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

29. Retained earnings

	Group		Company	
	At 30 June 2007 £'000	At 30 June 2006 £'000	At 30 June 2007 £'000	At 30 June 2006 £'000
Balance at beginning of year	27,361	29,211	12,376	1,354
Dividends paid	(13,298)	(7,863)	(13,298)	(7,863)
Net profit for the period	16,955	6,013	3,100	18,885
Balance at end of year	31,018	27,361	2,178	12,376

30. Notes to the consolidated cash flow statement

	Group		Company	
	At 30 June 2007 £'000	At 30 June 2006 £'000	At 30 June 2007 £'000	At 30 June 2006 £'000
Profit for the year after tax	16,955	6,013	3,100	18,885
Adjustments for:				
Investment revenues	(1,430)	(2,919)	(7,635)	(34,354)
Other gains and losses	(11,917)	(35)	(2,456)	(22)
Income tax expense	7,435	1,584	(407)	56
Loss on disposal of tangible fixed assets	10	-	-	-
Depreciation of plant and equipment	897	615	175	182
Depreciation of intangible assets	69	59	-	-
Impairment of goodwill	-	13	-	-
Share-based payment expense	508	661	-	-
Increase in provisions	19	227	-	-
Operating cash flows before movements in working capital	12,546	6,218	(7,223)	(15,253)
(Increase)/decrease in receivables	(5,625)	(12,904)	13,593	(12,912)
Increase/(decrease) in payables	5,979	20,284	1,853	(2,969)
Cash generated by operations	12,900	13,598	8,223	(31,134)
Income taxes paid	(5,159)	(6,822)	(975)	(1,750)
Net cash from operating activities	7,741	6,776	7,248	(32,884)

31. Operating lease arrangements

The Group as lessee

	Year ended 30 June 2007 £'000	Year ended 30 June 2006 £'000
Minimum lease payments under operating leases recognised as an expense in the year	673	585

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	681	618
In the second to fifth years inclusive	396	636
Total minimum lease payments	1,077	1,254

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 employees, 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").

Awards granted under the Employee SAYE scheme vest over five years. Awards granted under the Employee Share Incentive Plan vest over a three-year period. Awards granted under the Executive Option Scheme vest between nil and ten years. Options are exercisable at a price equal to the 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 2005. They have not been applied to any grants made prior to 7 November 2002.

The share options and share awards outstanding during the years presented have been restated to reflect the share restructuring on 10 April 2007 as described in note 22, and are as follows:

Details of the share options outstanding during the year are as follows:

	30 June 2007		30 June 2006	
	Share options No.	Weighted average exercise price Pence	Share options No.	Weighted average exercise price Pence
SIP				
Outstanding at beginning of year	-	-	-	-
Granted during the year	983,950	23.5	-	-
Forfeited during the year	(24,200)	23.5	-	-
Outstanding at the end of the year	959,750	23.5	-	-
Exercisable at the end of the year	-	-	-	-

	30 June 2007		30 June 2006	
SAYE				
Outstanding at beginning of year	7,679,375	3.6	12,661,825	3.6
Forfeited during the year	(8,800)	54.5	(752,125)	3.6
Exercised during the year	(3,843,400)	3.6	(4,230,325)	3.6
Granted during the year	5,040,750	54.5	-	-
Outstanding at the end of the year	8,867,925	10.4	76,793,75	3.6
Exercisable at the end of the year	274,725	3.6	-	-

	30 June 2007		30 June 2006	
Executive Option Scheme				
Outstanding at beginning of year	6,875,000	54.5	2,887,500	3.6
Forfeited during the period	(687,500)	54.5	-	-
Granted during the year	7,287,500	62.8	6,875,000	54.5
Exercised during the year	(9,432,500)	58.3	(2,887,500)	3.6
Outstanding at the end of the year	4,042,500	60.5	6,875,000	54.5
Exercisable at the end of the year	4,042,500	60.5	6,875,000	54.5

32. Share based payments (continued)

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

	30 June 2007		30 June 2006	
	Share options No.	Weighted average expected remaining life	Share options No.	Weighted average expected remaining life
Option exercise price range (pence)				
2.7 to 3.6	3,835,975	0.9 years	7,679,375	1.5 years
23.5	959,750	2.3 years	-	-
54.5	6,406,950	4.0 years	6,875,000	2.0 years
63.6	2,667,500	0.9 years	-	-
	13,870,175	2.0 years	14,554,375	1.7 years

The fair value at the date of grant of options awarded during the year has been estimated by the Black Scholes methodology. The principal assumptions required by the methodology were as follows:

	At 30 June 2007	At 30 June 2006
Weighted average share price	66.8p	23.5p
Expected dividend yields	3.00%	3.00%
SAYE		
Weighted average exercise price	3.6p	3.6p
Expected volatility	32%	32%
Risk-free rate	5.00%	5.00%
Expected life	3 years	1.5 years
Executive scheme		
Weighted average exercise price	54.5	54.5
Expected volatility	32%	32%
Risk-free rate	5.00%	5.00%
Expected life	1.1 years	1.7 years
SIP		
Weighted average exercise price	23.5	23.5
Expected volatility	32%	32%
Risk-free rate	5.00%	5.00%
Expected life	2.3 years	2.8 years

Prior to 15 May 2007 the Company's shares were not listed on a stock exchange and therefore no readily available market price existed for the shares. The share price of share option awards granted prior to 15 May 2007 were based on the latest market value agreed with H.M. Revenue and Customs using an earnings multiples approach based on comparable quoted companies. Similarly, share price volatility was estimated as the average of the volatility experienced by a comparable group of quoted companies. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. Since 15 May 2007, a quoted market price has been available for the company's shares although no share options have been granted since that date.

The Group recognised total expenses related to equity-settled share-based payment transactions are shown in note 7.

33. Events after the balance sheet date

Share options

On 7 September 2007, 1,650,000 executive share options were exercised at weighted average price of 56.1 pence per share. The options were satisfied by a transfer of shares from 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 years ending 30 June 2006 and 30 June 2007 the Group has been party to a lease with P K Hargreaves and S P Lansdown, who are both directors of the Company, for the rental of the head office premises at Kendal House at an annual rental of £302,400. No amount was outstanding at any year end.

During the years ending 30 June 2006 and 30 June 2007 the Group has provided a range of investment services to shareholders, directors and staff on normal third party business terms.

Remuneration of key management personnel

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

	Year ended 30 June 2007 £'000	Year ended 30 June 2006 £'000
Short-term employee benefits	29,680	22,041
Defined contribution pension costs	21	189
Share-based payment	359	654
	30,060	22,884

Included within the above are the following amounts paid to directors of the Company who served during the relevant year. Full details of directors' remuneration is shown in the Remuneration Committee report.

	Year ended 30 June 2007 £'000	Year ended 30 June 2006 £'000
Wages and salaries, excluding national insurance costs	3,326	3,558
Exceptional bonus payments (see note 6), excluding national insurance costs	22,404	17,400
Pension contributions	9	185
Share-based payment	160	654
	25,899	21,797

Aggregate gains made on the exercise of share options	1,752	253
Emoluments of the highest paid director	10,177	9,135
Pension contributions of the highest paid director	-	123
Number of directors who were members of money purchase pension schemes	8	8

35. Adoption of International Financial Reporting Standards (IFRSs)

In adopting IFRS for the first time within these IFRS statutory accounts for the year ended 30 June 2007, the Company and the Group have complied with IFRS 1 'First Time Adoption of IFRS', which states that a company should use the same accounting policies in its opening IFRS balance sheet and throughout all periods presented in its first IFRS financial statements. The accounting policies set out in note 2 have been applied for all periods presented.

An explanation of how the transition from previous GAAP to IFRS has affected the Company's and the Group's financial position, financial performance and cash flows is set out below.

35. Adoption of International Financial Reporting Standards (IFRSs) (continued)

Explanation of transition to IFRSs for the Company

The year ended 30 June 2007 is the first period for which the Company has elected to present its financial statements under International Financial Reporting Standards (IFRS). The date of transition to IFRS was 1 July 2005 being the first day of the 2006 financial year shown in the comparative information.

In preparing the 2006 comparative information, the Company has adjusted amounts previously reported under UK Generally Accepted Accounting Principles ('UK GAAP'). The significant IFRS accounting policies are the same as for the Group which are set out in note 2.

<u>Effect of IFRS on the UK GAAP company balance sheet and reconciliation of equity as at 30 June 2006.</u>
a) SIC-12 Consolidation – Special Purpose Entities requires that the assets and liabilities of The Hargreaves Lansdown Employee Benefit Trust ("EBT") are consolidated within the Group accounts of Hargreaves Lansdown plc if the trust is controlled by the sponsor of the EBT, being Hargreaves Lansdown plc. Accordingly, under IFRS the assets and liabilities of the EBT are not aggregated within the parent company accounts, but are consolidated within the Group accounts. Previously under UK GAAP the assets and liabilities of the EBT were aggregated within the parent company accounts.

b) Available-for-sale investments: Under IAS 39, certain fixed asset investments have been classified as available-for-sale and are recognised and measured at fair value with adjustments to fair value reflected directly in equity. The treatment was the same under UK GAAP during 2006. Prior to 2006, under UK GAAP fixed asset investments were recognised and measured at cost less any permanent diminution in value.

c) Income tax – Under IAS 12, deferred tax is provided on all IFRS temporary differences which will reverse. The deferred tax adjustment relates to a tax liability arising on the revaluation gains of available-for-sale investments.

The overall effect for the Company results from, firstly, the derecognition of the assets and liabilities of the EBT under IFRS where the impact is to increase both equity shareholders' funds and net assets by £13,847,000 (1 July 2005: decrease by £120,000). Secondly, the revaluation of available-for-sale investments under IFRS of £1,714,000 as at 1 July 2005 and the related deferred tax impact of £414,000 at 30 June 2006 (1 July 2005: £399,000). These restatements have a net effect of increasing both net assets and equity shareholders' funds by £13,433,000 (1 July 2005: £1,195,000).

There are no differences between the profit recorded by the Company under IFRS and that previously recorded under UK GAAP for the year ended 30 June 2006.

Explanation of transition to IFRSs for the Group

The year ended 30 June 2007 is the first period for which the Group is required to present its financial statements under International Financial Reporting Standards (IFRS). The date of transition to IFRS was 1 July 2005 being the first day of the 2006 financial year shown in the comparative information.

IFRS 1 contains a number of exemptions which companies are permitted to apply. The Group has elected:
- to present comparative information in accordance with IAS 32 Financial Instruments: Disclosure and Presentation and IAS 39 Financial Instruments: Recognition and Measurement. This means that certain investments previously carried at historic cost under UK GAAP are now carried in the balance sheet at fair value;
- not to restate business combinations arising prior to the IFRS transition date of 1 July 2005. The carrying amount of goodwill in the UK GAAP balance sheet as at 30 June 2005 has accordingly been brought forward without adjustment;
- to apply IFRS 2 (Share based payments) to all grants of equity instruments after 7 November 2002 that had not vested as of 1 July 2005. Share options granted prior to 7 November 2002 which have vested by the transition date do not have to be restated under IFRS.

The principal adjustments made to the Group financial statements are as follows:

(i) IFRS reclassifications: IFRS has different presentation and disclosure requirements to UK GAAP and conversion to IFRS has involved a number of changes to the presentation of items within the financial statements although these changes have no net change to reported profits. The main reclassifications under IFRS are as follows:
   a) Under UK GAAP, purchased software was previously classified as a tangible fixed asset whereas under IFRS these assets are now classified as intangible (2006: £97,000, 2005: £140,000 net book value).
   b) Available-for-sale investments have been reported as current assets whereas previously they were shown as fixed assets (2006: £2,105,000; 2005: £9,095,000).
   c) Certain administrative expenses have been classified as exceptional. Details are shown in note 6.

35. Adoption of International Financial Reporting Standards (IFRSs) (continued)

(ii) Income taxes: Under IAS 12, deferred tax is provided on all IFRS temporary differences which will reverse. The deferred tax adjustments primarily relate to a tax liability arising on the revaluation gains of available for sale investments (30 June 2006: £2,882,000; 30 June 2005: £1,664,000) and a deferred tax asset arising from tax relief on share option gains (30 June 2006: £439,000; 30 June 2005: £198,000)

(iii) Employee benefits: Holiday pay - IFRS requires short-term accumulating benefits such as holiday pay entitlements to be accrued over the period in which the entitlement is earned. There was a £67,000 impact on the income statement in 2006 together with an additional liability of £238,000 recognised in the balance sheet as at 30 June 2006 (2005: £171,000).

(iv) IFRS 2 Share-based payment: The Group has applied IFRS 2 to the share arrangements by which employees have been granted options to purchase shares in the Company. The charge to the income statement represents the fair value of these arrangements calculated using an appropriate option-pricing model adjusted for forfeits and where applicable non-market performance conditions. The charge has been spread over the period from the date of grant of options to the date when the shares vest unconditionally adjusted to reflect actual and expected leavers and the satisfaction of performance conditions. Under UK GAAP before 2007 there was no charge made in the profit and loss account for these arrangements. During 2006 there was an expense of £661,000 recognised in the income statement but no overall impact on the balance sheet as the expense was offset by a corresponding adjustment of £661,000 to equity through reserves (2005: £14,000)

(v) Goodwill: Under UK GAAP, goodwill was amortised over its estimated useful life. Under IFRS, goodwill is not amortised but is instead subject to an annual impairment test. As a consequence of this, the goodwill amortisation included in the 2006 UK GAAP balance sheet of £200,000 has been reversed (2005: £133,000).

(vi) Available for sale investments: Under IAS 39, fixed asset investments have been classified as available-for-sale and are recognised and measured at fair value with adjustments to fair value reflected directly in equity. The treatment was the same under UK GAAP during 2006. Prior to 2006, under UK GAAP fixed asset investments were recognised and measured at cost less any permanent diminution in value. The carrying value of available for sale investments at 30 June 2005 have increased by £5,927,000 in the IFRS balance sheet with a corresponding increase of £5,927,000 to the investment revaluation reserve.

Reconciliation of the Group profit and loss account under UK GAAP to the Group income statement under IFRS for the year ended 30 June 2006

	UK GAAP £'000	IFRS Reclassifications (i) £'000	Income taxes IAS 12 (ii) £'000	Employee benefits IAS 19 (iii) £'000	Share based payments IFRS 2 (iv) £'000	Goodwill IFRS 3 (v) £'000	IFRS £'000
Continuing operations							
Revenue	73,460	-	-	-	-	-	73,460
Admin. expenses	(67,720)	19,191	-	(67)	(661)	67	(49,190)
Exceptional admin. expenses	-	(19,627)	-	-	-	-	(19,627)
Total admin. expenses	(67,720)	(436)	-	(67)	(661)	67	(68,817)
Operating profit	5,740	(436)	-	(67)	(661)	67	4,643
Investment revenue	2,919	-	-	-	-	-	2,919
Other gains and losses	35	-	-	-	-	-	35
Finance costs	(436)	436	-	-	-	-	-
Profit before tax	8,258	-	-	(67)	(661)	67	7,597
Tax	(1,802)	-	218	-	-	-	(1,584)
Profit for the period	6,456	-	218	(67)	(661)	67	6,013

35. Adoption of International Financial Reporting Standards (IFRSs) (continued)

Reconciliation of the Group balance sheet and total equity under UK GAAP to IFRS at 30 June 2006.

	UK GAAP	IFRS Reclassifications (i)	Income taxes IAS 12 (ii)	Employee benefits IAS 19 (iii)	Share based payments IFRS 2 (iv)	Goodwill IFRS 3 (v)	IFRS
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Non-current assets							
Goodwill	1,133	-	-	-	-	200	1,333
Other intangible assets	-	97	-	-	-	-	97
Property, plant and equipment	1,816	(97)	-	-	-	-	1,719
Investments	2,105	(2,105)	-	-	-	-	-
Deferred tax assets	-	-	820	-	-	-	820
	5,054	(2,105)	820	-	-	200	3,969
Current assets							
Trade and other receivables	48,379	(304)	-	-	-	-	48,075
Cash and cash equivalents	13,745	-	-	-	-	-	13,745
Investments	11,247	2,105	-	-	-	-	13,352
	73,371	1,801	-	-	-	-	75,172
Total assets	78,425	(304)	820	-	-	200	79,141
Current liabilities							
Trade and other payables	57,372	-	-	238	-	-	57,610
	57,372	-	-	238	-	-	57,610
Net current assets	15,999	1,801	-	(238)	-	-	17,562
Non-current liabilities							
Deferred tax liabilities	-	(308)	3,190	-	-	-	2,882
Trade and other payables	665	-	-	-	-	-	665
Provisions	511	4	-	238	-	-	515
	1,176	(304)	3,190	-	-	-	4,062
Total liabilities	58,548	(304)	3,190	238	-	-	61,672
Net assets	19,877	-	(2,370)	(238)	-	200	17,469
Equity							
Share capital	172	-	-	-	-	-	172
Share premium account	1,733	-	-	-	-	-	1,733
Revaluation reserve	10,031	-	(2,882)	-	-	-	7,149
Capital red. reserve	12	-	-	-	-	-	12
EBT Reserve	(63)	-	-	-	-	-	(63)
Shares held by EBT res.	(19,809)	-	-	-	-	-	(19,809)
Share option reserve	-	-	239	-	675	-	914
Retained earnings	27,801	-	273	(238)	(675)	200	27,361
Total equity	19,877	-	(2,370)	(238)	-	200	17,469

35. Adoption of International Financial Reporting Standards (IFRSs) (continued)

Reconciliation of the Group balance sheet and total equity under UK GAAP to IFRS at 1 July 2005

	UK GAAP	IFRS Reclassifica-tions (i)	Income taxes IAS 12 (ii)	Available for sale investments (vi)	Share based payments IFRS 2 (iv)	Employee benefits IAS 19 (iii)	Goodwill IFRS 3 (v)	IFRS
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Non-current assets								
Goodwill	1,200	-	-	-	-	-	133	1,333
Other intangible assets	-	140	-	-	-	-	-	140
Property, plant and equipment	1,644	(140)	-	-	-	-	-	1,504
Investments	3,168	(9,095)	-	5,927	-	-	-	-
Deferred tax assets	-	-	353	-	-	-	-	353
	6,012	(9,095)	353	5,927	-	-	133	3,330
Current assets								
Trade and other receivables	33,254	-	-	-	-	-	-	33,254
Cash and cash equivalents	32,147	-	-	-	-	-	-	32,147
Investments	148	9,095	-	-	-	-	-	9,243
	65,549	9,095	-	-	-	-	-	74,644
Total assets	71,561	-	353	5,927	-	-	133	77,974
Current liabilities								
Trade and other payables	37,309	-	-	-	-	171	-	37,480
Current tax liabilities	2,524	-	-	-	-	-	-	2,524
	39,833	-	-	-	-	171	-	40,004
Net current assets	25,716	9,095	-	-	-	(171)	-	34,640
Non-current liabilities								
Deferred tax liabilities	275	-	1,767	-	-	-	-	2,042
Trade and other payables	509	-	-	-	-	-	-	509
Provisions	288	-	-	-	-	-	-	288
	1,072	-	1,767	-	-	-	-	2,839
Total liabilities	40,905	-	1,767	-	-	171	-	42,843
Net assets	30,656	-	(1,414)	5,927	-	(171)	133	35,131
Equity								
Share capital	172	-	-	-	-	-	-	172
Share premium account	1,733	-	-	-	-	-	-	1,733
Revaluation reserve	-	-	(1,664)	5,927	-	-	-	4,263
Capital red. reserve	12	-	-	-	-	-	-	12
EBT Reserve	-	-	-	-	-	-	-	-
Shares held by EBT res.	(469)	-	-	-	-	-	-	(469)
Share option reserve	-	-	195	-	14	-	-	209
Retained earnings	29,208	-	55	-	(14)	(171)	133	29,211
Total equity	30,656	-	(1,414)	5,927	-	(171)	133	35,131

Directors, Company Secretary, Advisors and Shareholder Information

Executive Directors
Peter Hargreaves
Stephen Lansdown
Martin Mulligan

Non-Executive Directors
Jonathan Bloomer (appointed 18 September 2007)
Michael Evans (appointed 1 September 2007)

Company Secretary
Tracey Taylor

Auditors
Deloitte & Touche LLP, Bristol

Solicitors
Burges Salmon LLP, Bristol

Principal Bankers
Lloyds TSB Bank plc, Bristol

Registrars
Equiniti Limited (formerly Lloyds TSB Registrars)

Registered Office
Kendal House
4 Brighton Mews
Clifton
Bristol
BS8 2NX
Company registration no: 2122142

Website
www.H-L.co.uk

Five Year Record

	IFRS 2007 £'000	IFRS 2006 £'000	IFRS 2005 £'000	IFRS 2004 £'000	UK GAAP 2003 £'000
Revenue	**98,769**	**73,460**	**50,379**	**42,520**	**34,494**
Administrative expenses	(58,098)	(49,190)	(37,290)	(32,591)	(28,137)
Share of results of associates	-	-	(3)	(57)	(9)
Underlying operating profit	**40,671**	**24,270**	**13,086**	**9,872**	**6,348**
Exceptional administrative expenses	(29,628)	(19,627)	(451)	(3,903)	(1,817)
Operating profit	**11,043**	**4,643**	**12,635**	**5,969**	**4,531**
Amortisation	-	-	-	-	(360)
Investment revenue	1,430	2,919	1,833	840	738
Other gains and losses	11,917	35	36	-	-
Profit before tax	**24,390**	**7,597**	**14,504**	**6,809**	**4,909**
Tax	(7,435)	(1,584)	(4,172)	(1,876)	(1,019)
Profit after tax	**16,955**	**6,013**	**10,332**	**4,933**	**3,890**
Equity minority interests	-	-	-	-	(461)
Profit for the financial year attributable to members of the parent company	**16,955**	**6,013**	**10,332**	**4,933**	**3,429**
Equity shareholders' funds	44,495	17,469	35,131	26,584	19,123

	Pence	Pence	Pence	Pence	Pence
Equity dividends per share	3.00	1.81	0.72	0.72	0.10
Basic earnings per share	3.6	1.4	2.2	1.0	0.7
Diluted earnings per share	3.6	1.3	2.2	1.0	0.7
Underlying basic earnings per share	6.5	4.5	2.2	1.6	1.0
Underlying diluted earnings per share	6.4	4.2	2.2	1.6	1.0

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Registered number: 2122142

Hargreaves Lansdown