

# Interim Management Statement

## Hargreaves Lansdown Plc

Hargreaves Lansdown Plc ('the Group') today publishes its Interim Management Statement as required by the UK Listing Authority's Disclosure and Transparency rules. This statement covers the period from 1 July 2012 to 11 October 2012, and includes trading results for the three months ended 30 September 2012.

### Summary

- Record level of Assets Under Administration ("AUA"), increasing by £2.2 billion in the three months to 30 September 2012 to £28.5 billion.
- Pleasing start to the year given challenging economic and market conditions for retail investors.
- Revenue £68.7m, a record for any quarter and up 20% compared to Q1 2011.
- Continued growth in assets - net new business inflows of assets of £0.55bn (Q1 2011: £0.68bn).
- Active Vantage client numbers rose by 7,000 (Q1 2011: 8,000) to 432,000. 10,000 new accounts.
- Corporate Vantage scheme member numbers doubled in quarter to over 9,400.
- Excellent start to October.

The first quarter of the financial year is traditionally the quietest period. During this year's first quarter, retail investment confidence remained low, with the Investment Management Association (IMA) reporting overall UK net retail sales of funds of just £23m for August 2012, the lowest since October 2008. There were also no notable product or fund launches to excite investors in the quarter. This must be compared with high stock market volatility and the launch of our upgraded stockbroking service in August of last year which drove substantial new business and activity. Recent offers of our new SIPP Loyalty bonus, and new share and fund launches have been exceptionally well received by investors, but the benefits of these initiatives will be seen from October onwards and are thus not reflected in quarter one trading.

Nevertheless, our results continue to be encouraging. Revenue, AUA and client numbers have all achieved record levels. Revenue rose to a record performance for any quarter at £68.7 million, which is 20% up on the prior year. The percentage of recurring revenue also increased to a record 82%. AUA reached £28.5 billion as at 30 September 2012, an increase of £2.2 billion over the quarter. A key driver of this has been the stock markets, which although still volatile, have over the course of the quarter risen higher. The FTSE All Share index has increased by 3.71% to 2998.86. Net new business of £0.55 billion also provided a significant increase to AUA.

New business inflows and client numbers were commendable, with both gross new business and new clients only slightly down on 2011, which was pleasing given the trading environment. Net figures were also affected by a number of short term trends, including increased annuity purchases (up 84% in the quarter as some investors sought annuities prior to changes in gender legislation on 21 December 2012), part withdrawals to cover living expenses, and a rise in probate (up 40%).

We do not usually report on Corporate Vantage, our workplace investment initiative, in quarterly statements. However, we are making an exception here to report that member numbers (using our measure of schemes live and in implementation) have doubled since 30 June 2012, taking members to over 9,400. This is due to the addition of 13 new schemes. Most of these members are still in implementation so are not reflected in the new client figures for the quarter as stated above.

Competitor impact remains negligible and there have been no further regulatory developments relating to the Retail Distribution Review (RDR). As explained in our annual results in September we have successfully modelled a fee structure that we can implement post RDR that we believe will be competitive for clients. We expect to communicate the new pricing structure to our clients and other interested parties at a later date, when it is appropriate to do so.

The beginning of the second quarter has seen considerably improved activity in the way of new investment opportunities. We have been encouraged to see potential investors seeking information and increased volumes of them converting into new clients, helped by the announcement of our new SIPP Loyalty bonus incentive and new share and fund launches.

Future stock market levels and investor confidence will have a significant part to play during the remainder of our financial year, however as always we continue to improve our services to our clients and to build on our scale and unparalleled reputation. In the coming months we will be launching our iPad App and a number of other major new initiatives. We remain confident of growing the business further to the benefit of our clients and shareholders.

## Assets Under Administration

Total assets under administration at 30 September 2012 can be broken down as follows:

	<b>30 Sept 2012</b>	<b>30 June 2012</b>	<b>30 Sept 2011</b>
	<b>£'billion</b>	<b>£'billion</b>	<b>£'billion</b>
<b>Vantage Assets Under Administration (AUA)*</b>	<b>26.7</b>	<b>24.6</b>	<b>20.9</b>
<b>Assets Under Management (AUM)</b>			
Portfolio Management Service (PMS)	1.7	1.6	1.4
Multi-Manager Funds held outside of PMS	0.9	0.8	0.7
<b>AUM Total</b>	<b>2.6</b>	<b>2.4</b>	<b>2.1</b>
Less: Multi-manager funds (AUM) included in Vantage AUA	(0.9)	(0.8)	(0.7)
<b>Total Assets Under Administration and Management</b>	<b>28.5</b>	<b>26.3</b>	<b>22.3</b>

\* Figures are subject to rounding

Net new business for the first quarter came in at £0.55 billion which was 19% lower than the prior year (2011 Q1: £0.68 billion). August net new business was particularly lower than last year (lacking the effect of last year's tumultuous August market, which was complemented by the improvements introduced to stockbroking at that time); whilst July and September this year were only marginally lower than last year.

During the first quarter the value of assets held within the Vantage service, the Group's direct-to-private investor platform, increased by 9% from £24.6 billion at 30 June 2012 to £26.7 billion at 30 September 2012 (ISA £10.7 billion, SIPP £8.2 billion and Fund & Share £7.8 billion). This can be attributed to £0.5 billion net new business inflows and a £1.6 billion positive impact of stock market movements during the period.

The value of assets held in Hargreaves Lansdown's Portfolio Management Service (PMS) and range of multi-manager funds, increased by 7% from £2.41 billion as at 30 June 2012 to £2.58 billion as at 30 September 2012, again mainly because of increases in stock markets.

## Business volumes

Share dealing volumes for the first quarter totalled 357,000 representing a 6% decrease on the previous year. Although September and July combined were 20% higher this year, August saw significantly reduced activity compared to 2011, for the reasons noted above.

Our iPhone and Android apps have now been downloaded over 65,500 times since launch on 1 August 2011, with over 3.6% of daily deal volume currently being executed using this technology. 88% of share deals are now online (2011: 87%)

The number of active Vantage clients increased by 7,000 (Q1 2011: 8,000) over the first quarter, from 425,000 as at 30 June 2012 to 432,000 as at 30 September 2012. The number of active accounts held by these clients increased from 625,000 to 635,000.

Hargreaves Lansdown continues to add clients to its Corporate Vantage service and since 30 June 2012 we have increased the number of schemes either live or implementation by 13, including some major schemes and taking the total to 60, with the number of members almost doubling to over 9,400.

## Operating revenue

	First Quarter of Year Ending 30 June 2013 £'million	First Quarter of Year Ending 30 June 2012 £'million	%
<b>Operating revenue by division:</b>			<b>Increase</b>
Vantage	53.7	44.1	+22%
Discretionary	7.4	6.6	+12%
Third Party & Other	7.6	6.4	+19%
<b>Total</b>	<b>68.7</b>	<b>57.2</b>	<b>+20%</b>

**Note:** In addition to the above operating revenue, the Group received £0.8 million of interest on its own cash in the three month period ended 30 September 2012 compared with £0.5 million for the same period in the previous year.

The key driver of revenue growth has been the higher level of Vantage AUA compared to the same period in the previous year. The proportion of assets held as cash at 30 September 2012 was 11% compared to 12% at 30 June 2012.

## Financial position

On 28 September 2012 the Group paid a final dividend and a special dividend totalling £81.7m, as announced in September's Preliminary announcement. The Group's operating activities remain highly cash generative. Throughout the whole of the quarter the Group maintained a strong cash and balance sheet position, free from debt and with a high level of surplus regulatory capital.

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## Forward looking statements

*This announcement contains forward-looking statements with respect to the financial condition, results and business of the Group. By their nature, forward-looking statements involve risk and uncertainty because they relate to events, and depend on circumstances, that will occur in the future. The Group's actual results may differ materially from the results expressed or implied in these forward-looking statements. Nothing in this announcement should be construed as a profit forecast. This announcement is unaudited. This statement should not be seen as a promotion or solicitation to buy Hargreaves Lansdown Plc shares. It should be remembered that the value of shares can fall as well as rise and therefore you could get back less than you invested.*