

Hargreaves Lansdown plc

Interim results for the six months ended 31 December 2022

Highlights

- Net new business of £1.6 billion (H1 2022: £2.3 billion).
- Assets under administration up 2.3% since 30 June 2022 to £127.1 billion.
- 1,768,000 active clients, an increase of 31,000 in the first half. (H1 2022: 1,693,000, increase of 48,000)
- First half Revenue up 20% year on year
- Underlying Profit before Tax and Statutory Profit before Tax increased 30% and 31% year on year
- Interim dividend up 3.6% to 12.70 pence per share (H1 2022: 12.26p)

Financial highlights

	6 months ended 31 December 2022	6 months ended 31 December 2021	Change %	Year ended 30 June 2022
	(H1 2023)	(H1 2022)		(FY 2022)
Net new business (NNB)	£1.6bn	£2.3bn	-30%	£5.5bn
Total assets under administration (AUA)	£127.1bn	£141.2bn	-10%	£123.8bn
Revenue	£350.0m	£291.1m	+20%	£583.0m
Profit before tax	£197.6m	£151.2m	+31%	£269.2m
Underlying profit before tax*	£211.9m	£163.5m	+30%	£297.5m
Diluted earnings per share	33.1p	25.7p	+29%	45.6p
Underlying diluted earnings per share*	35.5p	27.8p	+28%	50.4p
Interim dividend per share*	12.70p	12.26p	+3.6%	39.7p

*Underlying profit before tax, underlying diluted earnings per share and dividend per share are Alternative Performance Measures which exclude the impact of strategic investment costs. See the Glossary of Alternative Performance Measures on page 28 for the full definitions and pages 6 and 9 where reconciliation to the relevant statutory measures are provided.

Chris Hill, Chief Executive Officer, commented:

I'm delighted that we have delivered a strong financial performance over the first half of the year, with year-on-year revenue growth of 20% and increasing both underlying and statutory profit by around 30%.

Whilst challenging external conditions and low investor confidence impacted asset values and stockbroking volumes in the period, clients have benefitted from our diversified platform and we have progressed across all the strategic priorities that we set out a year ago at our Capital Markets Day.

We welcomed a further 31,000 net new clients over the period taking our total client numbers to 1.77 million with client retention increasing during the period to 92.4%. Our focus remains on engaging with clients and helping them to navigate the challenging backdrop.

The progress we have made over this period is the direct result of the hard work of each of my colleagues and I would like to thank them for their ongoing efforts.

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Analysts' presentation

Hargreaves Lansdown will be hosting an analyst presentation at 9:00am on 15 February 2023 following the release of the results for the half year ended 31 December 2022. The meeting can also be accessed remotely via a live dial-in facility. In order to register as a participant please use the following link:

<https://www.netroadshow.com/events/login?show=7d865538&confid=44236>. Slides accompanying the analyst

presentation will be available this morning at www.hl.co.uk/investor-relations and an audio recording of the analyst presentation will be available by close of business on the day.

Alternative performance measures

Included in this announcement are various alternative performance measures used by the Company in the course of explaining the results for the six months ended 31 December 2022. These measures are listed along with the calculations to derive them and an explanation of why we use them on page 26 in the Glossary of Alternative Performance Measures. A reconciliation to profit before tax is given in the Operating and Financial Review section.

Forward-looking statements

The Interim Results contain forward-looking statements which have been made in good faith based on the information available to us at the time of the approval of this report and should be treated with caution due to the inherent risks and uncertainties, including both economic and business risk factors some of which were set out in the 2022 Annual Report, underlying such forward-looking information.

Unless otherwise stated, all figures below refer to the six months ended 31 December 2022 ("H1 2023"). Comparative figures are for the six months ended 31 December 2021 ("H1 2022"). Certain figures contained in this document, including financial information, have been subject to rounding adjustments. Accordingly, in certain instances the sum of the numbers in a column or a row in tables contained in this document may not conform exactly to the total figure given for that column or row.

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Chief Executive's Statement

The first half of our financial year has been another period of growth for Hargreaves Lansdown ("HL") and we have continued to support our new and existing clients whilst investing in our diversified business model.

Our strategy evolves our award-winning platform by combining the best of human expertise, the capability of the colleagues that we already have, and augments it with the use of data and technology to deliver an increasingly personalised service that supports our clients to not only manage their wealth, but their financial health and resilience. We are best placed to deliver on this agenda because we have the largest client base in this sector, and the broadest client interaction, which enables us to collect the most comprehensive set of data points and this gives us a deep understanding of client needs. In 2023 we have progressed across all our strategic priorities that we set out a year ago at our Capital Markets Day.

We have long been focused on delivering the right client outcomes across our products and services and understand the value of a diversified offering enabling clients to make the right decisions and achieve their financial objectives through the cycle. We have continued to build out our proposition with the launch of new funds, the roll out of cloud-based technology in our Service team and we have piloted our first augmented tool. Active Savings, our cash savings service that we launched in 2018, to provide clients with access to competitive savings rates has seen meaningful growth in the period. The progress we have made during this year is the direct result of the hard work of each of my colleagues and I would like to thank them for their ongoing efforts.

It is hard to think of any financial analyst, economic forecaster or policy expert who could have predicted the events of the past year. Over the last 12 months we have seen a ground war start in Europe, inflation reach 40-year highs and central banks drive significant interest rate rises. The combined effects of this challenging backdrop in 2022 have led to the lowest six-month period on record for consumer confidence, while investor confidence also hit its lowest level ever. Given this extended period of macroeconomic uncertainty, our focus - as always - is on supporting clients with their financial wellbeing and helping them to navigate this turbulence. A year like 2022 really affirms the importance of our core purpose - as a trusted partner to empower people to save and invest with confidence and help improve the UK's underlying financial resilience.

In October I informed the Board that I wished to step down as CEO. The search for a successor has been completed with the announcement that Dan Olley will take over later in the year. As a member of the plc Board, I have worked with Dan since he joined in 2019 and he has provided valuable strategic insight over that time. Dan is excited by the opportunities ahead for the business and we look forward to him joining us in his new role during 2023.

Performance in the first half of the year

The business has performed well in the first half of the year; whilst challenging external conditions and low investor confidence impacted asset values and stockbroking volumes in the period, we have seen the return of higher levels of net interest margin leading to revenue growth and increasing Underlying Profit before Tax and Statutory Profit before tax by 29.6% and 30.7% respectively.

We delivered £1.6 billion of net new business in the first half, a reduction on prior year reflecting the challenging market conditions and low investor confidence. Over the period our clients took the opportunity to access competitive cash rates with record flows to our Active Savings service as interest rates became more favorable.

Our AUA at the end of the period was £127.1 billion including £1.7 billion (H1 2022: £3.4bn) positive market movement and net new business of £1.6 billion. Average AUA for the period was £127.1 billion, 9% below that for the prior year period reflecting negative market movement on the values of funds and shares across January to June 2022.

We welcomed a further 31,000 net new clients over the period taking our total client numbers to 1.77 million with client retention increasing during the period to 92.4% (FY22: 92.1%). Once a client joins our platform they have access to our diverse range of products and will utilise a broad range of our services over the lifelong relationship they have with us, as evidenced by 30% of clients who started with Active Savings going on to open an investment product within a year. Our focus remains on engaging with clients and helping them to navigate the challenging backdrop, in whatever format is easiest and most efficient for them, as highlighted by the 119 million digital visits, over 48 million client log-ins to our mobile app and over 967,000 views of our online content and articles we saw over the period as we continued to act as our clients trusted source and partner.

We delivered a strong financial performance over the period. Revenue increased by 20% to £350.0 million reflecting both an improvement to net interest margin following a period of historically low interest rates and higher levels of cash held by clients in both their Investment and Savings accounts. This also reflects the strength of our diversified business model: whilst share transaction levels have fallen year on year, they are still higher than before the pandemic and whilst they have fallen, we have benefited from our cash savings platform in flows and overall improving returns on cash.

We maintained focus on managing our overall spend with underlying costs of £146.1 million (H1 2022 £127.6m), and £23.4 million (H1 2022 £12.3m) of Total Strategic Spend incurred as we have scaled up our strategic activity in the period. Consequently, Underlying Profit before Tax increased to £211.9 million (H1 2022: £163.5m) and Statutory Profit before Tax to £197.6 million (H1 2022: £151.2m) in the first half.

The Board has declared an interim dividend of 12.70 pence per share, a 3.6% increase on H1 FY22.

Strategic Delivery

We are one year on from our Capital Markets Day and I am pleased with the progress that we have made. Over the period we have rephased our delivery focus prioritising efficiency activities within our Service areas in line with our wider cost discipline. The scale of our data supports our deep understanding of our clients and their needs. It informs our proposition, enables us to improve our service and drives our development of the next generation client experience.

Growth

Active Savings – We now support over 146,000 clients with their cash savings and the service has £6.3 billion of AUA, making us the largest retail savings platform in the UK. We continue to build the margin associated with the service which was 11bps for the period (H1 2022: 4bps).

Investment Solutions – A key focus of our strategy is to evolve our investment solutions, offering funds and investment tools to support clients with a broad range of needs. We launched the HL Growth Fund, a multi-asset retirement saving fund for our Workplace Solution clients, in December 2021, and it now has £321 million assets under management. In this half year we launched the HL US Fund, the first of our single asset and geography “building blocks”, designed to help clients build a diversified portfolio. The US has been a growing sector of client interest and investment in recent years and since launch the fund has taken £143 million of new money and now has £500 million+ AUM (including conversion from relevant historic HL Multi-Manager funds). We have also converted the £1.8 billion (HL Multi-Manager Income & Growth Fund) into the HL UK Income Fund, with this conversion driving cost efficiencies including a 10bps cost reduction for clients.

These “building block” funds are managed by HL Fund Managers using segregated mandates, bringing together the very best of HL and world-leading asset managers. We will continue to build out our offering over the rest of the year including launching four HL Managed Portfolios and more “building blocks.”

Next Generation “Augmented” Client Experience – Our deep data insight and our understanding of clients means we are very clear on the next generation experience they need to build and manage their financial resilience. Our digital wealth management service of the future will feature a range of capabilities enabling all our clients to access digital insight and tools as and when they need it. We recognise that the full-advice model is not right or accessible for everyone but that many will benefit from additional guidance and support in moments that matter, such as when choosing first investments or moving towards retirement. This can be done by combining the expertise of human-led advice/guidance augmented by technology and data for those clients that decide they need the next level of support. Whether clients choose to utilise our offering by making their own investment decisions, benefit from the services of a coach or go on to take advice, our investment in the underlying data, tools and capabilities is driving a better client experience, helping client retention, better client outcomes and higher lifetime value.

The first foundations of our next generation client experience are already driving results underpinned by our comprehensive data. Our Better Investors programme has now delivered over 690,000 nudges and driven improved client understanding of a broad range of investment topics, from diversification to risk. Our Savings & Resilience barometer methodology is providing important insight for clients and policymakers on the impact of the cost-of-living-crisis. The success of this work provides important insight as we develop our client experience and has fed directly into the pilot launch of the first of our digital tools which is being tested with clients. The Financial Health-Check enables clients to get a personalised report with educational content and peer comparison of their financial position. We will also be piloting financial coaching, alongside this, enabling clients to access a coach to help them navigate these tools and ensure they are empowered to make informed decisions in their saving, investment and retirement planning.

Service, Efficiency & Digital Backbone

Throughout the period we have continued to develop our cloud-based architecture. We have selected and established foundational partnerships that enable us to access industry leading technology and provide an enhanced, more resilient and scalable, and more personalised, service.

Enhancing the quality of engagement – In the first half we started the roll-out of a Cloud Contact Centre platform through our partner Amazon Web Services (AWS). The initial roll-out includes steering calls to the helpdesk agent best placed to help and has already generated efficiency improvements in live teams including a 13% reduction in average call handling time. We will continue to enhance this service over 2023.

Driving innovation & building simplicity – We have made significant improvements to our trading functionality during the period, including a partnership with Retail Book (REX) to enable our clients to access equity primary capital raises (including IPOs). This is part of our effort to ensure we offer a market leading service to clients and ensure that retail investors get access to opportunities. We have also launched a new digital voting tool in partnership with Broadridge, enabling clients to have a greater say on governance of companies they invest in. In January we launched our updated Share Exchange service (previously known as Bed & ISA). This delivers a market leading UK and Overseas equity to equity Bed & ISA and Bed & SIPP functionality. It is a key tax planning tool for clients particularly given recent announcements around Capital Gains Tax and the new process will enable them to Bed & ISA/SIPP shares at the mid-price supported by best-in-class digital service.

Digital backbone – Our partnerships have enabled us to design, develop and deliver across a number of key areas ranging from delivering and directing website and client journeys, to removing complexity in key processes such as streamlining payments and data management and storage, saving colleagues time and reducing the cost to create new content, while providing a consistent and accessible experience.

Delivering efficiency – A key focus of our strategic delivery is on driving efficiency into our processes to enhance the experience for clients and colleagues whilst enabling cost savings. We have delivered cost savings of £10.4 million across our Service and Digital teams. This comprises savings of £3.2 million driven through procurement and productivity improvements in key service functions and as we start to see efficiency benefits from our cloud capability come through, we have been able to reskill and repurpose headcount in the Digital team taking specific teams out of BAU activity and into strategic project generating £7.2 million of savings in our underlying cost.

FY23 Guidance and medium-term Outlook

We are well underway with the execution of our strategy and I am confident this will deliver for our clients, shareholders and wider stakeholders. In the second half of our financial year, the current uncertain economic environment and market conditions are likely to continue to impact investor confidence and in turn, net new business and dealing volumes. In terms of our financial guidance for FY23 we are now expecting:

- Overall revenue margin of between 50 and 55 basis points, primarily reflecting the higher revenue margin on cash resulting from higher interest rates. The margin for each asset class being:
 - Funds 38-39 basis points (no change)
 - HL Funds 55-60 basis points (no change)
 - Shares 30-35 basis points (no change)
 - Cash 160-170 basis points
- Underlying cost growth towards the top end of the range (9.5-11.5%)
- Total Strategic Investment Costs (including dual running costs) of £50-£55 million but with no change to our overall strategic spend to the end of 2026 of £225 million (including £50 million of dual running costs).
- 3% Ordinary dividend growth.

Delivering a Proposition and Service that meets our clients' needs

The work to deliver our strategy enables us to move in step with the industry's regulatory direction, building the leading digital wealth management service to drive client outcomes which are the focus of the Consumer Duty and address the advice/guidance gap. Support from across the political spectrum and regulatory focus continues to grow for the importance of reform on this issue to benefit consumers in building their financial resilience. We welcome the announced review of the advice and guidance boundary and are clear that the smart use of data can transform outcomes for consumers.

Strong execution across our initiatives will enable the next stage of growth and market leadership, enhancing our diversified proposition, increasing scalability across our service and technology, and delivering operating efficiency and leverage. Despite the challenging conditions that have characterised the last year we have made significant progress. We continue to enhance our lifelong relationship with clients, build client retention and generate new flows across our expanding services. We look ahead to the rest of 2023 with confidence.

Chris Hill
Chief Executive Officer

Financial Review

Assets Under Administration (AUA) and Net New Business (NNB)

	Unaudited 6 months ended 31 December 2022 £bn	Unaudited 3 months to 31 December 2022 £bn	Unaudited 3 months to 30 September 2022 £bn
Opening AUA	123.8	122.7	123.8
Platform growth*	0.3	0.1	0.2
Movement to Active Savings*	(0.4)	(0.2)	(0.2)
Active Savings growth	1.7	1.0	0.7
Total Net New Business	1.6	0.9	0.7
Market growth and other	1.7	3.5	(1.8)
Closing AUA	127.1	127.1	122.7

*Platform growth and Movement to Active Savings are alternative performance measures. See the Glossary of Alternative Performance Measures on page 28 for the full definition

Total net new business for the first half of 2023 was £1.6 billion (FY22 £2.3bn). Platform growth was £0.3 billion (H1 2022: £1.9bn) in the first half, with £0.4 billion (H1 2022: £0.1bn) of movement into Active Savings, which also attracted a further £1.3 billion (£0.5bn) of new money to Hargreaves Lansdown, generating £1.7 billion growth in total.

Total AUA increased by 3% to £127.1 billion at the period end, (FY22 £123.8bn) driven by net new business as explained above and £1.7 billion of positive market movement during the first six months.

Throughout the period, we have maintained our focus on engaging with clients and helping them to navigate the challenging economic backdrop and consequential impact on investing and investor confidence and to improve their financial engagement and resilience. Our focus on service and the value our clients place on our offering continues to be evidenced by client and asset retention rates, which remain strong at 92.4% and 91.4% respectively (FY2022: 92.1% and 91.8%).

We introduced 31,000 net new clients to our services in the six months to 31 December 2022 (H1 2022: 48,000), growing our active client base by 2% to 1,768,000. An active client is defined as one who holds an account containing £100 or more with us. The average age of new clients remains consistent with recent periods at 37 (H1 2022: 35) and we are encouraged by the quality of clients we are welcoming who brought an average NNB of £17,090, up 29% on last year (H1 2022: £13,231), driven by greater numbers of clients opening Active Savings accounts, which attract a higher opening balance.

AUA for the period of £127.1 billion was 10% below that for the prior year period. The drop was driven by significant market falls and subsequent adverse market movement on the values of funds and shares across January to June 2022. Market growth and other represents the impact of the underlying market and other retained investment income. In the current period this movement is driven by the changes in the market.

Income Statement

	Unaudited 6 months ended 31 December 2022 £m	Unaudited 6 months ended 31 December 2021 £m
Revenue	350.0	291.1
Operating costs	(160.4)	(139.9)
Finance and other income	8.4	0.4
Finance costs	(0.4)	(0.4)
Profit before tax	197.6	151.2
Tax	(40.4)	(29.2)
Profit after tax	157.2	122.0
Profit before tax	197.6	151.2
Adjusted for:		
- Strategic Investment Costs (including dual running costs)	14.3	12.3
Underlying profit before tax*	211.9	163.5
Tax on underlying profit*	(43.3)	(31.6)
Underlying profit after tax*	168.6	131.9

*Underlying profit before tax, Tax on Underlying profit, and Underlying profit after tax for the period exclude strategic investment costs (including dual running costs) of £14.3 million. See the Glossary of Alternative Performance Measures on page 28 for the full definition.

Revenue

Revenue for the period increased 20% to £350.0 million (H1 2022: £291.1m), reflecting both an improvement to net interest margin following a period of historic low interest rates, and the level of cash held by clients in both their Investment and Savings accounts offsetting the impact of lower average asset values and lower stockbroking volumes resulting from negative market movements and low levels of investor confidence.

The table below breaks down revenue, average AUA and margins earned during the period:

	6 months ended 31 December 2022			6 months ended 31 December 2021		
	Revenue £m	Average AUA £bn	Revenue margin* bps	Revenue £m	Average AUA £bn	Revenue margin
Funds ¹	117.9	59.5 ⁷	40	133.2	68.1 ⁷	39
Shares ²	70.2	47.4	30	101.8	54.5	37
Cash ³	121.6	14.5	168	11.3	12.8	18
HL Funds ⁴	27.0	8.2 ⁷	66	31.4	9.1 ⁷	69
Other ⁵	13.3	5.6 ⁶	-	13.4	3.5 ⁶	-
Double-count ⁷	-	(8.1) ⁷	-	-	(9.0) ⁷	-
Total	350.0	127.1⁷	-	291.1	139.0⁷	-

* Revenue margin is an alternative performance measure, see the Alternative Performance Measures glossary on page 28 for the full definition

1 Platform fees.

2 Stockbroking commission and equity holding charges.

3 Net interest earned on cash held in investment accounts.

4 Annual management charge on HL Funds, i.e. excluding the platform fee, which is included in revenue on Funds.

5 Advisory fees, revenue from Active Savings and ancillary services (e.g. annuity broking, distribution of VCTs and HL Currency Services).

6 Average cash held via Active Savings.

7 HL Funds AUM included in Funds AUA for platform fee and in HL Funds for annual management charge. Total average AUA excludes HL Fund AUM to avoid double-counting.

Revenue on Funds decreased by 11% to £117.9m (H1 2022: £133.2m) reflecting the 13% decrease in average AUA, with revenue margin broadly flat at 40bps. Funds AUA at the end of the period was £59.6 billion (31 December 2021: £69.0bn).

Revenue on Shares decreased by 31% to £70.2m (H1 2022: £101.8m) and the revenue margin of 30bps (H1 2022: 37bps) was at the low end of our expected range. This margin is primarily a result of the ratio of dealing volumes to AUA. In the period client driven deal volumes fell by 31% to 3.1 million (H1 2022: 4.5m), whereas the average Shares AUA has fallen by 13%. The drop in deal volumes reflects continued low levels of investor confidence, that were also seen in the second half of FY22.

Total deal volumes (including automated deals such as dividend reinvestment) decreased by 25% to 4.0 million (H1 2022: 5.3m) but were in line with the expectation of c32,000 deals per trading day. This peaked in September at 35,000 deals per trading day, largely as a result of the Government's mini-budget, to a low in December of 27,000 given the seasonally quieter Christmas period. Despite the more recent reduction in volumes, client driven trading is higher than levels seen prior to the pandemic. We are well placed to benefit from a future rise in investor confidence and any subsequent growth in share trading across the industry, however we expect to see these more muted volumes continue through much of the second half of our financial year. Shares AUA at the end of the period was £47.1 billion (31 December 2021: £55.2bn).

Revenue on cash significantly increased in the period to £121.6m (31 December 2021: £11.3m) reflecting increases in the Bank of England base rate (Base rate) during the period, partially offset by the pass through rate to clients and the level of cash held by clients in investment accounts. Four rate increases were made during the period, taking the base rate from 125bps in July 2022 to 350bps as at 31 December 2022, compared to the prevailing rate of 25bps as at 31 December 2021.

Cash held in Investment accounts is placed with UK PRA regulated counterparties and is managed in accordance with the prevailing consumer regulation which considers term, credit risk and counterparty exposure. Interest earned on cash reflects bank appetite for liquidity, deposit term on offer as well as the Base rate. The step up in base rates has increased interest earned on cash and as a result we have increased both the amount and the proportion passed through to clients during the period. The level of cash held in Investment accounts increased during the period with average cash AUA of £14.5bn (31 December 21: £12.8bn) also contributing to the increase in revenue.

Cash represented 11.4% of total average AUA, an increase from 9.2% in the prior year, reflecting client current preference for cash given the volatile market backdrop and investor confidence. As investor confidence improves, we would expect to see this preference for cash held in investment accounts to reduce as a proportion of AUA as clients choose to invest in funds and equities, which will impact revenue in each of these asset classes.

HL Funds now comprise nine Multi-Manager funds, three Select equity funds, two new HL funds- the US fund, which launched in November 2022 and the UK Income Fund which was created by converting previous Multi-Manager funds, alongside our HL Growth fund, which is used as the Workplace pension default fund as we build out our own fund client offering. The average funds under management were down 10% versus last year, driven by market valuations and

therefore impacting revenues which were down 14% to £27.0m (H1 2022: £31.4m). In the second half, we will continue to build out our own fund offering, including three ready-made Investment Portfolios launching in March.

Other revenues comprise advisory fees, Active Savings and ancillary services such as annuity broking, distribution of VCTs. The amount has remained stable year on year, due to the increase in Active Savings revenue, offsetting the change to our paper based statement charging, which has been phased out.

Active Savings

Our focus is on growing Active Savings cash balances through offering competitive savings rates to attract and retain new clients and cash assets on the platform. Across the period, the base rate increase has facilitated more appealing and often market leading rates on offer for clients. We have continued with the step increase of marketing Active Savings from the end of last financial year and we have subsequently seen strong flows across the period totalling £1.7 billion (H1 2022: £0.6bn). As at 31 December 2022 the AUA was £6.3 billion (31 December 2021: £3.8bn) and over 146,000 clients now have an Active Savings account.

	Unaudited 6 months ended 31 December 2022	Unaudited 6 months ended 31 December 2021
	£m	£m
Ongoing revenue*	293.2	201.1
Transactional revenue*	56.8	90.0
Total revenue	350.0	291.1

* Ongoing revenue and Transactional revenue are alternative performance measures, see the Alternative Performance Measures glossary on page 28 for the full definitions

The Group's business model offers clients a broad range of asset classes to suit their needs in differing market environments and as such benefits from a diversified revenue stream. The Group's revenues are largely ongoing in nature, as shown in the table above. The proportion of ongoing revenues has increased to 84% in the period (H1 2022: 69%) as the transactional stockbroking commission decreased versus last year and the net interest income increased significantly as the base rate of interest has increased. Ongoing revenue is primarily comprised of platform fees on funds and equities, fund management fees, net interest income and ongoing advisory fees. This increased by 46% to £293.2 million (H1 2022: £201.1m) driven by improved net interest margin from the higher interest rates earned, which more than offset lower platform fees and management fees from lower average AUA levels. Ongoing revenues provide greater profit resilience and hence we believe they are of higher quality than transactional revenues.

Transactional revenue primarily comprises stockbroking commission and advisory event-driven fees. This decreased by 37% to £56.8 million (H1 2022: £90.0m) reflecting the 31% decrease in client driven equity dealing volumes.

Underlying operating costs*

	Unaudited 6 months ended 31 December 2022	Unaudited 6 months ended 31 December 2021
	£m	£m
	Underlying cost	Underlying cost
Labour costs*	81.5	67.6
Activity costs*	19.3	22.7
Technology costs*	17.2	11.2
Support costs*	28.1	26.1
Underlying costs (pre-FSCS)	146.1	127.6
Total FSCS levy	-	-
Underlying operating costs**	146.1	127.6

*Definitions have been amended and are shown in the Glossary of Alternative Financial Performance Measures on page 28.

**Underlying costs excludes £14.3 million of strategic investment costs (including dual running costs). See the Glossary of Alternative Performance Measures on page 28 for the full definition.

Underlying costs

Underlying costs increased by 14.5% to £146.1 million (H1 2022: £127.6m) reflecting inflation, annualisation of headcount growth in FY22, increased technology spend and one off costs incurred in the period.

Labour costs increased 21% to £81.5 million (H1 2022: £67.6m) reflecting the annualisation of the FY22 increase in headcount and salary inflation of c5% overall which has been weighted towards our more junior colleagues. Acknowledging the financial impact that the current environment is continuing to have on colleagues, we have also announced a one-off Support Payment for colleagues who continue to feel the impact of cost inflation of £1.1 million.

Activity costs comprise marketing costs, dealing related costs, and payment costs for client cash transferred onto the platform. Overall Dealing costs have reduced £5.7 million during the period reflecting the £2.0 million benefit of renegotiation of 3rd party costs and the decrease in volumes experienced in the first half of the year. Payment costs have increased in line with the level of cash added to the platform including Active Savings.

Technology costs increased by 54% to £17.2 million (H1 2022: £11.2m). This was driven by software support fees and service subscriptions as we build out our digital capability and utilise more third-party services that are cloud based to enable our staff to work in new ways.

Support costs, which include legal and professional fees, office running costs, depreciation and amortisation, increased by £2.0 million to £28.1 million (H1 2022: £26.1m). Including the impact of higher energy costs and a £1.8 million one off increase to the dilapidations provision, these have been offset by lower external professional fees for third party support, specifically in relation to non-strategic project support as we bring more expertise in house. Insurance costs and travel expenses have also increased as staff returned to more normalised working patterns.

Strategic Investment Costs (including Dual Running Costs)

Total strategic spend in the period was £23.4 million in the first half, of which £14.3 million has been expensed in the year and £9.1 million capitalised in line with our accounting policy. This represents an increase of £11.1 million in total spend over H2 FY22 as the programme scales up in both overall activity and individual project scale. Spend primarily comprises staff (including contractor) costs and associated professional fees, associated compliance, infrastructure and support costs. With our strategic investment programme now well underway the strategic investment costs incurred in the period are in addition to the business as usual or underlying costs of the business.

We have previously presented strategic investment costs and dual running costs as separate measures for the purpose of reporting our underlying costs. Through review we have determined that the use of a further alternative performance measure provides no additional clarity or insight to readers or users of the financial statements regarding our approach to our Strategic Investment Programme. As such we have reverted to using strategic investment cost as a single measure.

Profit before tax

During the period, £8.4m of Finance Income resulted from term deposits of corporate cash being placed at higher interest rates. Finance costs comprise the undrawn cost of the Group's Revolving Credit Facility. On an underlying basis, profit before tax increased by 30% to £211.9 million (H1 2022: £163.5m). On a statutory basis profit before tax increased by 31% to £197.6 million (H1 2022: £151.2.0m).

Tax

The effective tax rate for the period was 20.4% (H1 2022: 19.3%), which reflects the higher rate of tax in effect from April 2023 and its impact on the Group in the year. We are required to treat our tax across the period based on our treatment of tax for the purposes of our tax return for the year. The Group's tax strategy is published on our website at <http://www.hl.co.uk>

Earnings per share

	Unaudited 6 months ended 31 December 2022	Unaudited 6 months ended 31 December 2021
	£m	£m
Operating profit	189.6	151.2
Finance income	8.4	0.4
Finance costs	(0.4)	(0.4)
Profit before tax	197.6	151.2
Underlying profit before tax*	211.9	163.5
Tax	(40.4)	(29.2)
Profit after tax	157.2	122.0
Tax on underlying profit*	(43.3)	(31.6)
Underlying profit after tax*	168.6	131.9
Weighted average number of shares for the calculation of diluted EPS	474.6	474.5
Diluted EPS (pence per share)	33.1	25.7
Underlying diluted EPS (pence per share)*	35.5	27.8

*Underlying profit before tax, Tax on underlying profit before tax, Underlying profit after tax and Underlying diluted EPS for the period exclude strategic investment costs of £14.3 million (H1 2022: £12.3m). See the Glossary of Alternative Performance Measures on page 28 for the full definitions.

Diluted EPS increased by 29% from 25.7 pence to 33.1 pence, in line with the Group's increase in profits. The Group's basic EPS was 33.2 pence, compared with 25.8 pence in H1 2022.

Underlying diluted EPS increased by 28% from 27.8 pence to 35.5 pence. (See Glossary of Alternative Performance Measures on page 30 for the full definition). The Group's underlying basic EPS was 35.6 pence, compared with 27.9 pence in H1 2022.

Capital and liquidity management

Hargreaves Lansdown looks to create long-term value for shareholders by balancing delivery of profit growth, capital appreciation and an attractive dividend stream with the need to invest in the business to maintain a market-leading offering and high service standards for our clients.

As a result, the Group seeks to maintain a strong net cash position and a robust balance sheet with sufficient capital and liquidity to fund ongoing trading and future growth. The Group has a high conversion rate of operating profits to cash and its net cash position at 31 December 2022 was £445.4 million (H1 2022: £432.8m). Despite this being the first year of our investment programme, cash generated from operations more than offset the payments of the 2022, final ordinary dividend. The cash position includes cash on longer-term deposit and is before funding the 2023 interim dividend of £60.3 million.

The Group has a Revolving Credit Facility agreement with Barclays Bank to provide access to a further £75 million of liquidity. This is undrawn and was put in place to further strengthen the Group's liquidity position and increase our cash management flexibility. The Group also funds a share purchase programme to manage the impact of dilution from operating our share-based compensation schemes.

Total attributable shareholders' equity, as at 31 December 2022, made up of share capital, share premium, retained earnings and other reserves increased to £603.9 million (H1 2022: £534.6m) as continued profitability more than offset both the Strategic spend resulting from the Investment programme and payment of 2022 final dividend

HL plc has four subsidiary companies authorised and regulated by the FCA. The FCA's Investment Firm Prudential regime (IFPR) came into effect on 1st January 2022 focusing on the potential harm firms can pose to consumers and markets. HL completes this assessment through the Group Internal Capital Adequacy and Risk Assessment (ICARA) processes. Our assessment of HL's capital requirements takes account of the new regulatory requirements.

Consistent with the new IFPR requirements, HLAM specifically is required to disclose regulatory capital information; this is available on the Group's website at <https://www.hl.co.uk/investor-relations>.

Dividend

In line with Group's dividend policy and previous guidance, the Board has declared an increased interim dividend of 12.70 pence per share (H1 2022: 12.26 pence per share). The interim dividend will be paid on 31 March 2023 to all shareholders on the register at 3 March 2023.

Responsibility Statement

Directors' Responsibility Statement

The Directors confirm that these condensed interim financial statements have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and that the interim management report includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R, namely:

- an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of consolidated financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related-party transactions in the first six months and any material changes in the related party transactions described in the last Annual Report.

The Directors of Hargreaves Lansdown plc are listed on page 30 of the Interim Report and Condensed Consolidated Financial Statements 6 months ended 31 December 2022.

By order of the Board:

Amy Stirling
Chief Financial Officer
14 February 2023

Independent review report to Hargreaves Lansdown plc

Independent review report to Hargreaves Lansdown plc Report on the condensed consolidated interim financial statements

Our conclusion

We have reviewed Hargreaves Lansdown plc's condensed consolidated interim financial statements (the "interim financial statements") in the Interim results for the six months ended 31 December 2022 of Hargreaves Lansdown plc for the 6 month period ended 31 December 2022 (the "period").

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

The interim financial statements comprise:

- the Condensed Consolidated Statement of Financial Position as at 31 December 2022;
- the Condensed Consolidated Income Statement and Condensed Consolidated Statement of Comprehensive Income for the period then ended;
- the Condensed Consolidated Statement of Cash Flows for the period then ended;
- the Condensed Consolidated Statement of Changes in Equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the Interim results for the six months ended 31 December 2022 of Hargreaves Lansdown plc have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Financial Reporting Council for use in the United Kingdom ("ISRE (UK) 2410"). A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the Interim results for the six months ended 31 December 2022 and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed. This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410. However, future events or conditions may cause the group to cease to continue as a going concern.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The Interim results for the six months ended 31 December 2022, including the interim financial statements, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the Interim

Independent review report to Hargreaves Lansdown plc

results for the six months ended 31 December 2022 in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority. In preparing the Interim results for the six months ended 31 December 2022, including the interim financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Our responsibility is to express a conclusion on the interim financial statements in the Interim results for the six months ended 31 December 2022 based on our review. Our conclusion, including our Conclusions relating to going concern, is based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion paragraph of this report. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP
Chartered Accountants
London
14 February 2023

Section 1: Results for the period
Condensed Consolidated Income Statement
for the period ended 31 December 2022

		Unaudited 6 months ended 31 December 2022 £m	Unaudited 6 months ended 31 December 2021 £m
	Note		
Revenue	1.1	350.0	291.1
Operating costs	1.3	(160.4)	(139.9)
Operating profit		189.6	151.2
Finance income		8.4	0.4
Finance costs		(0.4)	(0.4)
Profit before tax		197.6	151.2
Tax	1.4	(40.4)	(29.2)
Profit for the period		157.2	122.0
Attributable to:			
Owners of the parent		157.3	122.2
Non-controlling interest		(0.1)	(0.2)
		157.2	122.0
Earnings per share	1.5		
Basic earnings per share (pence)		33.2	25.8
Diluted earnings per share (pence)		33.1	25.7

The results relate entirely to continuing operations.
After the Statement of Financial Position date, the Directors declared an ordinary interim dividend of 12.70 pence per share payable on 31 March 2023 to shareholders on the register at 3 March 2023.

In the prior year Fair value gains on derivatives was presented as a separate financial statement line item. In the current period it has been removed as the value was nil for the current and comparative period.

Condensed Consolidated Statement of Comprehensive Income
for the period ended 31 December 2022

	Unaudited 6 months ended 31 December 2022 £m	Unaudited 6 months ended 31 December 2021 £m
Profit for the period	157.2	122.0
Total comprehensive income for the financial period	157.2	122.0
Attributable to:		
Owners of the parent	157.3	122.2
Non-controlling interest	(0.1)	(0.2)
	157.2	122.0

The results relate entirely to continuing operations.

Section 1: Results for the period
Notes to the Condensed Consolidated Statement of Comprehensive
Income
for the period ended 31 December 2022

1.1 Revenue

Revenue represents fees receivable from financial services provided to clients, management fees charged to clients and net interest income (see note 2.4 for further details regarding money held on behalf of clients). It relates to services provided in the UK and is stated net of value added tax.

The largest source of revenue for the Group encompasses ongoing revenue, which includes platform fees, fund management fees, net interest income, ongoing advice charges and renewal commission.

The other source is revenue earned on individual transactions and is primarily made up of fees on stockbroking transactions and advisory event driven fees, referred to as initial advice charges in the table below. The price is determined in relation to the specific transaction type and are frequently flat fees. There is no variable consideration in relation to transactional revenue.

	Unaudited 6 months ended 31 December 2022	Unaudited 6 months ended 31 December 2021
Revenue	£m	£m
Ongoing revenue		
Platform fees	135.1	150.8
Fund management fees	27.0	31.4
Ongoing advice charges	3.7	4.3
Net interest income	124.9	12.0
Renewal commission	2.5	2.6
Transactional revenue		
Fees on stockbroking transactions	54.6	86.2
Initial advice charges	1.7	2.0
Other transactional income	0.5	1.8
Total Revenue	350.0	291.1

1.2 Segment information

Under IFRS 8, operating segments are required to be determined based upon the way the Group generates revenue and incurs expenses and the primary way in which the Chief Operating Decision Maker (CODM) is provided with financial information. In the case of the Group, the CODM is considered to be the Executive Committee.

It is the view of the Board and of the Executive Committee that there is only one segment, being the direct wealth management service administering investments in ISA, SIPP and Fund & Share accounts, and providing cash management services for individuals and corporates. Given that only one segment exists, no additional information is presented in relation to it, as it is disclosed throughout these financial statements.

The Group does not rely on any individual customer and so no additional customer information is reported.

Section 1: Results for the period
Notes to the Condensed Consolidated Statement of Comprehensive
Income
for the period ended 31 December 2022

1.3 Operating costs

	Unaudited 6 months ended 31 December 2022	Unaudited 6 months ended 31 December 2021
	£m	£m
Operating profit has been arrived at after charging:		
Depreciation of owned plant and equipment and right-of-use assets	4.1	4.5
Amortisation of other intangible assets	3.1	3.0
Impairment of intangible assets	-	-
Activity costs	19.5	22.7
Data and technology costs	18.0	13.9
Support costs ¹	29.6	22.2
Staff (including contractors) costs	86.1	73.7
Operating costs	160.4	139.9

¹ Included in support costs are compliance costs, legal and professional fees, other banking charges and insurance costs.

1.4 Tax

	Unaudited 6 months ended 31 December 2022	Unaudited 6 months ended 31 December 2021
	£m	£m
Current tax: on profits for the period	40.4	29.3
Current tax: adjustments in respect of prior years	-	(0.1)
Deferred tax	0.1	0.1
Deferred tax: adjustments in respect of prior years	(0.1)	(0.1)
	40.4	29.2

In addition to the amount charged to the Consolidated Income Statement, certain tax amounts have been charged/(credited) directly to equity as follows:

	Unaudited 6 months ended 31 December 2022	Unaudited 6 months ended 31 December 2021
	£m	£m
Deferred tax relating to share-based payments	(0.2)	0.4
Current tax relating to share-based payments	0.3	0.2
	0.1	0.6

1.5 Earnings per share (EPS)

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 free issue during the period, including ordinary shares held in the EBT which have vested unconditionally with employees.

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

The weighted average number of anti-dilutive share options and awards excluded from the calculation of diluted earnings per share was 1,510,318 as at 31 December 2022 (nil at 31 December 2021).

Section 1: Results for the period
Notes to the Condensed Consolidated Statement of Comprehensive
Income
for the period ended 31 December 2022

1.5 Earnings per share (EPS) (continued)

	Unaudited 6 months ended 31 December 2022	Unaudited 6 months ended 31 December 2021
Earnings (all from continuing operations)	£m	£m
Earnings for the purposes of basic and diluted EPS - net profit attributable to equity holders of the parent Company	157.2	122.2
Number of shares	Number	Number
Weighted average number of ordinary shares	474,318,625	474,318,625
Weighted average number of shares held by HL EBT	(292,518)	(487,907)
Weighted average number of share options held in relation to shares held by HL EBT which have vested unconditionally with employees	45,480	35,670
Weighted average number of shares for the purposes of basic EPS	474,071,587	473,866,388
Weighted average number of dilutive share options held in relation to shares held by HL EBT that have not vested unconditionally with employees	527,453	667,192
Weighted average number of shares for the purpose of diluted EPS	474,599,040	474,533,580
Earnings per share	Pence	Pence
Basic EPS	33.2	25.8
Diluted EPS	33.1	25.7

Section 2: Assets & Liabilities
Condensed Consolidated Statement of Financial Position
for the period ended 31 December 2022

		Unaudited at 31 December 2022	Audited at 30 June 2022
	Note	£m	£m
ASSETS:			
Non-current assets			
Goodwill		1.3	1.3
Other intangible assets	2.1	44.8	37.3
Property, plant and equipment	2.1	20.1	22.5
Deferred tax assets		1.8	1.9
		68.0	63.0
Current assets			
Investments	2.2	0.7	0.8
Trade and other receivables	2.3	676.3	523.5
Cash and cash equivalents	2.4	255.4	488.3
Current tax assets		-	0.6
		932.4	1,013.2
Total assets		1,000.4	1,076.2
LIABILITIES:			
Current liabilities			
Trade and other payables	2.5	381.0	488.3
Current tax liabilities		1.1	-
		382.1	488.3
Net current assets		550.3	524.9
Non-current liabilities			
Provisions		4.4	2.6
Non-current lease liabilities		10.0	11.8
Total liabilities		396.5	502.7
Net assets		603.9	573.5
EQUITY:			
Share capital	3.1	1.9	1.9
Shares held by EBT		(1.7)	(3.6)
EBT reserve		(1.1)	(2.4)
Retained earnings		604.8	579.2
Total equity, attributable to the owners of the parent		603.9	575.1
Non-controlling interest		-	(1.6)
Total equity		603.9	573.5

2.1 Changes in capital expenditure since the last annual Statement of Financial Position date

Capital expenditure

During the six months ended 31 December 2022, the Group acquired fixtures, fittings, plant, equipment and software assets and internally generated intangibles with a cost of £12.1 million (year to 30 June 2022: £13.7m).

2.2 Investments

	Unaudited at 31 December 2022	Audited at 30 June 2022
	£m	£m
At beginning of period	0.8	0.9
Sales	(0.6)	(0.8)
Purchases	0.5	0.7
At end of period	0.7	0.8
Comprising:		
Current asset investment - listed securities valued at quoted market price	0.7	0.8

£0.7 million (30 June 2022: £0.8m) of investments are classified as held at fair value through profit and loss. These investments are all Level 1 financial instruments in line with the fair value hierarchy under IFRS 7 and there have been no transfers between levels in the period.

2.3 Trade and other receivables

	Unaudited at 31 December 2022	Audited at 30 June 2022
	£m	£m
Financial assets:		
Trade receivables	344.4	432.6
Term deposits	190.0	20.0
Other receivables	3.7	3.7
Accrued income	121.2	49.0
	659.3	505.3
Non-financial assets:		
Prepayments	17.0	18.2
	676.3	523.5

Trade and other receivables comprise fees due from clients and counterparty positions. They are subsequently measured at amortised cost using the effective interest method less any expected credit losses. The financial assets are held in order to collect the contractual cash flows and those cash flows are payments of interest and principal only. The Group recognises Expected Credit Losses (ECLs) relating to trade receivables in line with the simplified approach per IFRS 9 and calculated based on the historic information available from the preceding years alongside factors impacting the individual debtors, economic conditions and forecast expectations. Impairment losses are recognised immediately in the Income Statement. Term deposits comprise cash deposits held by UK licensed banks for a period of greater than three months, over which there is no recall during the term of the deposit.

In accordance with market practice and accounting standards on trade date accounting, certain balances with clients, Stock Exchange member firms and other counterparties totalling £323.0 million (30 June 2022: £409.5m) are included in trade receivables. These balances are presented net where there is a legal right of offset and the ability and intention to settle net. The gross amount of trade receivables is £422.4 million and the gross amount offset in the Statement of Financial Position with trade payables is £99.4 million. Other than these counterparty balances trade receivables primarily consist of fees and amounts owed by clients and renewal commission, owed by fund management groups. There are no balances where there is a legal right of offset but not a right of offset in accordance with accounting standards, and no collateral has been posted for the balances that have been offset.

2.4 Cash and cash equivalents

	Unaudited at 31 December 2022	Audited at 30 June 2022
	£m	£m
Group cash and cash equivalent balances	255.1	488.0
Restricted cash - balances held by HL EBT	0.3	0.3
	255.4	488.3

Cash and cash equivalents comprise cash in hand and demand deposits that are readily convertible to a known amount of cash, subject to insignificant changes in value and are holdings of less than three months or those over which the Group has an immediate right of recall. The carrying amount of these assets is approximately equal to their fair value.

At 31 December 2022, segregated deposit amounts held by the Group on behalf of clients in accordance with the client money rules of the Financial Conduct Authority amounted to £7,910 million (30 June 2022: £8,665m). In addition, there were pension trust and Active Savings cash accounts held on behalf of clients not governed by the client money rules of £6,376 million (30 June 2022: £6,533m). The client retains the beneficial interest in both these deposits and cash accounts, and accordingly, they are not included in the Statement of Financial Position of the Group.

2.5 Trade and other payables

	Unaudited at 31 December 2022	Audited at 30 June 2022
	£m	£m
Financial liabilities:		
Trade payables	324.2	406.7
Current lease liabilities	4.6	4.6
Other payables	21.0	31.0
	349.8	442.3
Non-financial liabilities:		
Deferred income	0.2	0.3
Accruals	25.3	38.5
Social security and other taxes	5.7	7.2
	381.0	488.3

In accordance with market practice, certain balances with clients, Stock Exchange member firms and other counterparties totalling £319.9 million (30 June 2022: £404.9m) are included in trade payables. As stated in note 2.3, where we have a legal right of offset and the ability and intention to settle net, trade payable balances have been presented net.

Other payables principally comprise amounts owed to staff as a bonus and rebates due to the regulated funds operated by the Group. Accruals and deferred income principally comprise amounts outstanding for trade purchases and receipts from clients, where cash is received in advance of certain services.

2.6 Contingencies

The Group operates in a highly regulated environment and, in the ordinary course of business, provides information to various regulators and authorities as part of informal and formal requests and enquiries. In addition, the Group receives complaints or claims in relation to its services from time to time brought by clients, investors or other third parties. These may be notified to the Group or directly to third parties, such as the Financial Ombudsman Service in the case of client and investor complaints investigated and not upheld by the Group. These include enquiries, complaints and a threatened claim relating to the LF Equity Income Fund (formerly the Woodford Equity Income Fund). The Company received a letter purporting to be a pre-action letter from a law firm in March 2021. In June 2021, the Company rejected all the claims made for lack of a substantive basis of claim. The Company is aware that the law firm has since filed a claim form with the court against both Link Fund Solutions Limited and Hargreaves Lansdown Asset Management Limited ("HLAM") for an unspecified amount in October 2022. As at the date of issuing these financial statements, the law firm has not yet confirmed that it has secured sufficient funding to progress the claim, HLAM has not been served with the claim form and no timetable has been set for the conduct of any claim.

2.6 Contingencies (continued)

All such matters are periodically reassessed, with the assistance of external professional advisers where appropriate, to determine the likelihood of the Group incurring a liability. There are inherent uncertainties in the outcome of such matters and it is not practicable to reliably estimate the financial impact if any, on the Group's results or net assets at the period end.

Section 3: Equity

Condensed Consolidated Statement of Changes in Equity

for the period ended 31 December 2022

	Attributable to the owners of the Parent					Non-controlling interest	Total equity
	Share capital	Shares held by EBT	EBT reserve	Retained earnings	Total		
	£m	£m	£m	£m	£m		
Audited at 30 June 2021	1.9	(4.8)	(3.1)	599.5	593.5	(1.1)	592.4
Total comprehensive income¹	-	-	-	122.2	122.2	(0.2)	122.0
Increase in non-controlling interest through investment	-	-	-	-	-	0.2	0.2
Employee Benefit Trust:							
Shares sold in the period	-	4.9	-	-	4.9	-	4.9
Shares acquired in the period	-	(3.6)	-	-	(3.6)	-	(3.6)
HL EBT share sale	-	-	(2.6)	-	(2.6)	-	(2.6)
Reserve transfer on exercise of share options	-	-	2.1	(2.1)	-	-	-
Employee share option scheme:							
Share-based payments expense	-	-	-	4.8	4.8	-	4.8
Current tax effect of share-based payments	-	-	-	(0.2)	(0.2)	-	(0.2)
Deferred tax effect of share-based payments	-	-	-	(0.4)	(0.4)	-	(0.4)
Dividend paid (note 3.2)	-	-	-	(182.9)	(182.9)	-	(182.9)
Unaudited at 31 December 2021	1.9	(3.5)	(3.6)	540.9	535.7	(1.1)	534.6
Audited at 30 June 2022	1.9	(3.6)	(2.4)	579.2	575.1	(1.6)	573.5
Total comprehensive income¹	-	-	-	157.3	157.3	(0.1)	157.2
Increase in non-controlling interest through investment	-	-	-	-	-	-	-
Change in ownership	-	-	-	(1.7)	(1.7)	1.7	-
Employee Benefit Trust:							
Shares sold in the period	-	1.9	-	-	1.9	-	1.9
Shares acquired in the period	-	-	-	-	-	-	-
HL EBT share sale	-	-	(1.9)	-	(1.9)	-	(1.9)
Reserve transfer on exercise of share options	-	-	3.2	(3.2)	-	-	-
Employee share option scheme:							
Share-based payments expense	-	-	-	3.3	3.3	-	3.3
Current tax effect of share-based payments	-	-	-	(0.3)	(0.3)	-	(0.3)
Deferred tax effect of share-based payments	-	-	-	0.2	0.2	-	0.2
Dividend paid (note 3.2)	-	-	-	(130.0)	(130.0)	-	(130.0)
Unaudited at 31 December 2022	1.9	(1.7)	(1.1)	604.8	603.9	-	603.9

¹ Total comprehensive income includes profit for the period and the total comprehensive income presented is equal to profit in both periods presented.

The shares held by the Employee Benefit Trust ("the EBT") reserve represents the cost of shares in Hargreaves Lansdown plc purchased in the market and held by the Hargreaves Lansdown plc EBT to satisfy options under the Group's share option schemes.

The EBT reserve represents the cumulative loss on disposal of investments held by the Hargreaves Lansdown 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.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the minority's proportion of the net fair value of the assets and liabilities acquired at the date of the original business combination and the non-controlling interest's change in equity since that date. The non-controlling interest in the period ended 31 December 2021 represented a 7.5% shareholding in Hargreaves Lansdown Savings Limited, which is a subsidiary of the Company. During the period, the Company purchased all of Stuart Loudon's shares and therefore at 31 December 2022 the Company had 100% control of Hargreaves Lansdown Savings Limited.

Section 3: Equity
Notes to the Condensed Consolidated Statement of Changes in Equity
for the period ended 31 December 2022

3.1 Share capital	Unaudited at 31 December 2022	Audited at 30 June 2022
	£m	£m
Issued and fully paid:		
Ordinary shares of 0.4p	1.9	1.9
	Shares	Shares
Issued and fully paid:		
Number of ordinary shares of 0.4p	474,318,625	474,318,625

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

3.2 Dividends paid	Unaudited at 31 December 2022	Audited at 30 June 2022
	£m	£m
Amounts recognised as distributions to equity holders in the period:		
2022 Final dividend of 27.44p per share (2021 – 26.6p)	130.0	126.0
2022 Special Dividend of Nil p per share (2021 – 12.0p)	-	56.9
2022 First interim dividend of 12.26p per share (2021 – 11.9p)	-	58.1
Total	130.0	241.0

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.

	Unaudited at 31 December 2022	Audited at 30 June 2022
Number of shares held by the Hargreaves Lansdown Employee Benefit Trust	197,460	424,035
Representing % of called-up share capital	0.04%	0.09%

Section 4
Condensed Consolidated Statement of Cash Flows
as at 31 December 2022

	Unaudited at 31 December 2022	Unaudited at 31 December 2021
Note	£m	£m
Net cash from operating activities		
Profit for the period after tax	157.2	122.0
Adjustments for:		
Income tax expense	40.4	29.2
Depreciation of plant and equipment	4.1	4.5
Amortisation of intangible assets	3.1	3.0
Impairment of intangible assets	-	-
Investment income	(8.4)	-
Share-based payment expense	3.3	4.8
Interest on lease liabilities	0.2	0.2
(Decrease)/increase in provisions	1.8	(1.7)
Operating cash flows before movements in working capital	201.7	162.0
Decrease/(increase) in receivables	17.2	208.6
(Decrease)/increase in payables	(107.4)	(221.4)
Cash generated from operations	111.5	149.2
Income tax paid	(38.8)	(28.3)
Interest received	8.4	-
Net cash generated from operating activities	81.1	120.9
Investing activities		
(Increase)/decrease in term deposits	(170.0)	40.0
(Purchase of)/Proceeds on disposal of investments	0.1	(2.3)
Purchase of property, plant and equipment	2.1 (1.6)	(1.1)
Purchase of intangible assets	2.1 (10.5)	(4.2)
Proceeds on disposal of subsidiary	-	-
Net cash from/(used in) investing activities	(182.0)	32.4
Financing activities		
Purchase of own shares in EBT	-	(3.6)
Proceeds on sale of own shares in EBT	0.1	2.3
Dividends paid to owners of the parent	(130.0)	(182.9)
Payments of principal in relation to lease liabilities	(2.1)	(1.5)
Net cash used in financing activities	(132.0)	(185.7)
Net (decrease)/increase in cash and cash equivalents	(232.9)	(32.4)
Cash and cash equivalents at beginning of period	488.3	445.3
Cash and cash equivalents at end of period (including restricted cash)	2.4 255.4	412.9

Section 5

Other Notes

as at 31 December 2022

5.1 Basis of preparation

This condensed consolidated interim financial report for the half-year reporting period ended 31 December 2022 has been prepared using accounting policies in accordance with UK-adopted International Accounting Standard 34, 'Interim Financial reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority. The Interim Financial Statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments, and are presented in pounds sterling which is the currency of the primary economic environment in which the Group operates.

The financial information contained in these Interim Financial Statements does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. However, the information has been reviewed by the Company's auditor, PricewaterhouseCoopers LLP, and their report appears earlier in this document. The financial information for the year ended 30 June 2022 has been derived from the audited financial statements of Hargreaves Lansdown plc for that year, which have been reported on by PricewaterhouseCoopers LLP and delivered to the Registrar of Companies. Copies are available online at www.hl.co.uk. The auditor's report on those accounts was not qualified, did not include a reference to any matters to which the auditor drew attention by the way of emphasis without qualifying the report and did not contain statements under section 498 (2) or (3) of the Companies Act 2006.

Going concern

Throughout the period, the Group was debt free, has continued to generate significant cash, with £190m in term deposits at 31 December 2022 (see note 2.3) and has adequate financial resources available to meet its day-to-day regulatory and working capital requirements.

The Directors have considered the resilience of the Group, taking account of its current financial position, the principal risks facing the business in severe but plausible scenarios and the effectiveness of any mitigating actions. As a consequence, the Directors believe that the Group is well placed to manage its business risks in the context of the current economic outlook and has adequate financial resources to continue in operational existence for a period of at least 12 months from the date of approval of these interim financial statements. They therefore continue to adopt the going concern basis in preparing the consolidated interim financial statements.

The same accounting policies, methods of computation and presentation have been followed in the preparation of the Interim Financial Statements for the six months ended 31 December 2022 as were applied in the Audited Annual Financial Statements for the year ended 30 June 2022.

Changes in the composition of the Group

Throughout the prior period and prior year, the non-controlling interest in Hargreaves Lansdown Savings Limited was held by Stuart Loudon, an employee of the Group. During the period an agreement was reached to purchase Stuart Loudon's shares and at the period end the Company had 100% control of Hargreaves Lansdown Savings Limited.

Seasonality of operations

A high proportion of the Group's revenue is derived from the value of assets under administration or management on the HL platform or within HL funds. The values of these assets are influenced predominantly by new business volumes, the stock market and client withdrawals.

Revenues are not considered to be seasonal, with approximately 50% of revenues being earned in the second half of the financial year, based on previous financial years. The Group revenue is however sensitive to the impact of net new business inflows and interest rates during a particular period.

5.2 Material events after interim period-end

After the interim Statement of Financial Position date, an ordinary interim dividend of 12.70 pence per share (H1 2022: interim dividend 12.26 pence) amounting to a total dividend of £60.3 million (2022: £58.1m) was declared by the plc Directors. These financial statements do not reflect this dividend payable.

There have been no other material events after the end of the interim period.

Section 5

Other Notes

as at 31 December 2022

5.3 Principal risks and uncertainties

The principal risks and uncertainties which could impact the Group for the remainder of the financial year are those detailed on pages 51 to 59 of the Group's Annual Report and Financial Statements 2022, a copy of which is available on the Group's website, www.hl.co.uk. These remain the principal risks and uncertainties for the second half of this financial year and beyond; the key ones of which are listed below and they are regularly considered by the Board.

Strategic risks

- Risk that propositions and activity are not aligned with HL's strategic objectives
- Market performance negatively impacting the underlying assets under administration

Operational risks

- IT operational environment
- Operational delivery
- Regulatory compliance
- Financial crime
- Appropriate data frameworks
- Duties to clients
- Operational Resilience
- People

The Group is exposed to interest rate risk, the risk of sustaining reduced income from adverse movements in interest bearing assets. These assets comprise cash, cash equivalents and term deposits. At 31 December 2022 the value of such assets on the Group Statement of Financial Position was £445.4 million (at 31 December 2021: £432.9m). A 50bps (0.5%) move in interest rates, in isolation, would therefore, not have a material direct impact on the Group Statement of Financial Position or results. This exposure is monitored to ensure that the Group is maximising its interest earning potential within accepted liquidity and credit constraints. The Group has no external borrowings and as such is not exposed to interest rate or refinancing risk on borrowings.

As a source of revenue is based on the value of client cash under administration, the Group also has an indirect exposure to interest rate risk on cash balances held on behalf of clients. These balances are disclosed in note 2.4 and do not form part of the Group Statement of Financial Position.

The table below highlights the theoretical impact of a sudden change in base rate on net interest income in the Condensed Consolidated Income Statement. The measure of 50bps is based on the average rate rise we have seen at each change within the period.

	Unaudited at 31 December 2022 £m
Net Interest Income +50bps (0.5%)	24.8
Net Interest Income -50bps (0.5%)	(24.8)

The above disclosure is not intended as forward guidance or analysis and does not take into account the behaviour of clients in relation to changes in interest rates, nor does it forecast future cash holdings and the level of pass through to clients. It is intended as a point in time indication of the sensitivity of the net interest income revenue category in the reporting period to unforeseen changes in the base rate.

5.4 Related party transactions

The Company has a related party relationship with its Directors and members of the Executive Committee (the "key management personnel"). There were no material changes to the related party transactions or arrangements during the financial period; transactions are consistent in nature with the disclosure in note 5.6 to the 2022 Annual Report.

As highlighted in note 5.1 at the end of the period, the Group purchased the shareholding in Hargreaves Lansdown Savings Limited of Stuart Louden.

Section 5
Other Notes
as at 31 December 2022

5.5 Financial instruments' fair value disclosure

The Group's financial assets and liabilities are held at fair value through profit or loss. There have been no transfers of assets or liabilities between levels of the fair value hierarchy.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, based on the fair value hierarchy under IFRS 7:

	Level 1 Quoted prices	Total
	£m	£m
Unaudited at 31 December 2022		
Financial assets at fair value through profit or loss	0.7	0.7
	<u>0.7</u>	<u>0.7</u>
<hr/>		
Audited at 30 June 2022		
Financial assets at fair value through profit or loss	0.8	0.8
	<u>0.8</u>	<u>0.8</u>

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. Instruments included in Level 1 comprise primarily equity investments and fund units entered into on a counterparty basis.

Glossary of Alternative Performance Measures

Within the Interim Report and Condensed Financial Statements various Alternative Financial Performance Measures are referred to, which are non-GAAP (Generally Accepted Accounting Practice) measures. They are used in order to provide a better understanding of the performance of the Group and the table below states those which have been used, how they have been calculated and why they have been used.

Measure	Calculation	Why we use this measure
Activity costs	Total cost related to stockbroking, financial services costs and marketing costs on a transactional basis related to the volume of activity undertaken by our clients. This measure is the same as the "dealing and financial services costs" plus the "marketing and costs" figures within note 1.3 less strategic investment costs that fit this categorisation.	This has been amended in the period to provide visibility of the costs that are associated with both client numbers and transactional volumes, to allow comparison from year to year
Dividend per share (pence per share)	Total dividend payable relating to a financial year divided by the total number of shares eligible to receive a dividend. Note ordinary shares held in the Hargreaves Lansdown Employee Benefit Trust have agreed to waive all dividends (see note 3.2 to the consolidated financial statements).	Dividend per share is pertinent information to shareholders and investors and provides them with the ability to assess the dividend yield of the Hargreaves Lansdown plc shares.
Labour costs	Total cost related to staff, equivalent to staff costs figure within note 1.3.	Labour costs are our largest cost category and our people are the key driver of our business and our strategy.
Ongoing revenue	Revenue that is earned depending on the value of assets held on the platform, including platform fees, management fees and interest earned on client money and represents revenue earned over a period of time	We believe ongoing revenue provides greater profit resilience and hence is of higher quality than transactional revenue.
Platform Growth	The net value of new assets brought onto the platform less assets leaving the platform, excluding cash placed with Active Savings.	Provides the most useful measure of tracking, over time, the element of net new business that is made up on assets brought onto the platform.
Movement to Active Savings	The net value of assets moving from the HL platform to Active Savings	Separated out from Platform Growth to highlight the change in asset mix within the business and the retention provided by Active Savings.
Revenue margin (bps)	Total revenue divided by the average value of assets under administration which includes the Portfolio Management Services assets under management held in funds on which a platform fee is charged.	Provides the most comparable means of tracking, over time, the margin earned on the assets under administration and is used by management to assess business performance.
Revenue margin from cash (bps)	Revenue from cash (net interest earned on the value of client money held on the platform divided by the average value of assets under administration held as client money).	Provides a means of tracking, over time, the margin earned on cash held by our clients.
Revenue margin from funds (bps)	Revenue derived from funds held by clients (platform fees, initial commission less loyalty bonus) divided by the average value of assets under administration held as funds, which includes the Portfolio Management Services assets under management held in funds on which a platform fee is charged.	Provides the most comparable means of tracking, over time, the margin earned on funds held by our clients.
Revenue margin from HL Funds (bps)	Management fees derived from HL Funds (but excluding the platform fee) divided by the average value of assets held in the HL Funds.	Provides a means of tracking, over time, the margin earned on HL Funds.
Revenue margin from shares (bps)	Revenue from shares (stockbroking commissions, management fees where shares are held in a SIPP or ISA, less the cost of dealing errors) divided by the average value of assets under administration held as shares.	Provides a means of tracking, over time, the margin earned on shares held by our clients.
Strategic investment costs (including dual running costs)	The total Cost (excluding capitalisation), of the Strategic Investment Programme including staff and professional fees relating to the planning, commencement and dual running of the digital technology strategy, strategic growth initiatives and the cost of expanding associated compliance, infrastructure and support functions.	Costs relating to the planning, commencement and dual running of the digital technology strategy and core growth initiatives, which include staff costs, professional fees and technology costs, that are considered separately to reflect the impact on the results of the Group.
Support costs	Those costs other than labour, activity and technology costs that are part of the underlying business of the Group. Calculated as the total cost, less labour activity and technology costs	Provides an assessment of our other costs.
Technology costs	Costs associated with the use of third-party software and data feeds used in the performance of daily business. The measure is the same as technology costs within note 1.3 less any strategic investment costs that fit this categorisation.	Provides a means of understanding the impact that increasing or changing our proposition has on our costs.
Transactional revenue	Revenue that is not non-recurring in nature and dependent on a client instruction such as a deal to buy or sell shares or take advice. This represents revenue earned at a point in time.	Such revenue is not as high quality as ongoing revenue but helps to show the diversification of our revenue streams.
Underlying basic earnings per share	Underlying profit after tax divided by the weighted average number of ordinary shares for the purposes of basic EPS	The calculation of basic earnings per share using statutory profit after tax adjusted for those costs that are related specifically to our strategic investments.
Underlying costs	Operating costs less strategic investment costs (including dual running costs).	Provides relevant information on the year-on-year cost of the underlying business as we go through a period of significant strategic investment.

Glossary of Alternative Performance Measures

Underlying diluted earnings per share	Underlying profit after tax divided by the weighted average number of ordinary shares for the purposes of diluted EPS	The calculation of diluted earnings per share using statutory profit after tax adjusted for those costs that are related specifically to our strategic investments.
Underlying profit after tax	Profit after tax attributable to equity holders of the parent company excluding strategic investment costs (including dual running costs).	Profit after tax includes costs that are part of strategic planning and development. This measure helps to provide clarity between the profit of the business from period to period when those costs are not considered. This is important as we go through a period of significant strategic investment.
Underlying profit before tax	Profit before tax excluding strategic investment costs (including dual running costs).	Provides the best measure for comparison of profit before tax of the underlying business performance as we go through a period of significant strategic investment.

General Information

EXECUTIVE DIRECTORS

Chris Hill
Amy Stirling

NON-EXECUTIVE DIRECTORS

Andrea Blance
Adrian Collins (non-independent as represents Peter Hargreaves)
Penny James
Moni Mannings
Dan Olley
Deanna Oppenheimer
Roger Perkin
Darren Pope
John Troiano

COMPANY SECRETARY

Claire Chapman

INDEPENDENT AUDITOR

PricewaterhouseCoopers LLP, London

BROKERS

Barclays
Numis Securities Limited

REGISTRARS

Equiniti Limited

REGISTERED OFFICE

One College Square South
Anchor Road
Bristol
BS1 5HL

REGISTERED NUMBER

02122142

WEBSITE

www.hl.co.uk

DIVIDEND CALENDAR

	First dividend (interim)
Ex-dividend date*	2 March 2023
Record date**	3 March 2023
Payment date	31 March 2023

* Shares bought on or after the ex-dividend date will not qualify for the dividend.

** Shareholders must be on the Hargreaves Lansdown plc share register on this date to receive the dividend.